

# **Legislative Action on the FY01 State Budget**

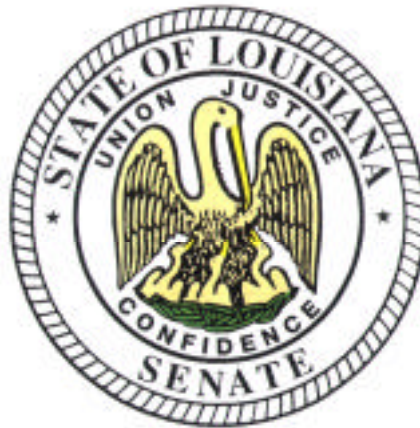


**July 14, 2000  
Louisiana Senate**

**John J. Hainkel, Jr.  
President**

**Louis J. Lambert  
President Pro Tempore**

# **Legislative Action on the FY01 State Budget**



**Prepared by the Senate Fiscal Services staff:**

**Bob Keaton  
Sherry Phillips-Hymel  
Kari Belvin  
Matthew Jones  
David Ray**

**July 17, 2000**

**Sen. Jay Dardenne**  
Finance Committee Chairman

**Sen. Diana Bajoie**  
Finance Committee Vice-Chairperson

## **Foreword**

*The following booklet was compiled to provide quick information about the FY01 State Budget. The document highlights selected departmental action that was of significant focus during the 2000 Sessions.*

*Specifically, there are detailed sections on the Overall Budget and Budget Growth, State Revenues, Corrections, Health and Hospitals, Higher Education, and K-12 Education, among others.*

*The document by no means covers the entire budget—inquiries on subject matter that may not have been included in this booklet are encouraged.*

*Bob Keaton  
Chief Budget Analyst  
(225-342-8895)*

*General Budget*

*Sherry Phillips-Hymel  
Senior Budget Analyst  
(225-342-8894)*

*General Budget  
and Higher Education*

*Kari Belvin  
Budget Analyst  
(225-342-0759)*

*Corrections/Public Safety  
and DOTD*

*Matthew Jones  
Budget Analyst  
(225-342-0607)*

*K-12 Education*

*David Ray  
Budget Analyst  
(225-342-6212)*

*Health and Hospitals*

**Table of Contents**

<i>FY01 State Budget</i>	<i>1</i>
<i>Charts and Tables</i>	<i>4</i>
<i>Raising Revenue and Cutting Budgets</i>	<i>12</i>
<i>Tax Measures</i>	<i>17</i>
<i>Explanation of FY01 Budget Shortfall</i>	<i>19</i>
<i>Selected Departmental Overviews</i>	<i>28</i>
<i>Department of Agriculture and Forestry</i>	<i>29</i>
<i>Department of Insurance</i>	<i>30</i>
<i>Department of Economic Development</i>	<i>31</i>
<i>Department of Transportation and Development</i>	<i>32</i>
<i>Department of Corrections</i>	<i>34</i>
<i>D.A.R.E.</i>	<i>34</i>
<i>Correctional/Probation and Parole Officers</i>	
<i>Pay Raises</i>	<i>35</i>
<i>Department of Public Safety</i>	<i>36</i>
<i>Department of Health and Hospitals and Louisiana State</i> <i>University Health Science Center — Health Care Services</i>	
<i>Division</i>	<i>39</i>
<i>TEFRA Alternative</i>	<i>41</i>
<i>Department of Social Services</i>	<i>44</i>
<i>Department of Natural Resources</i>	<i>45</i>
<i>Department of Revenue</i>	<i>46</i>
<i>Department of Environmental Quality</i>	<i>47</i>
<i>Department of Wildlife and Fisheries</i>	<i>48</i>
<i>New Hunting and Fishing Licenses Fee Package</i>	<i>49</i>
<i>Higher Education</i>	<i>51</i>

Legislative Action on the FY01 State Budget

<i>Enhancement Funding Distribution</i>	<i>53</i>
<i>Technical College Funding Distribution</i>	<i>56</i>
<i>Tuition Increases</i>	<i>58</i>
<i>K-12 Education</i>	<i>59</i>
<i>Special Schools and Commissions</i>	<i>61</i>
<i>TOPS</i>	<i>62</i>
<i>Department of Education</i>	<i>63</i>
<i>MFP</i>	<i>64</i>
<i>Teacher Salaries and Student Membership</i>	<i>67</i>
<i>Other Requirements</i>	<i>68</i>
<i>Supplemental Pay</i>	<i>68</i>
<i>NOCCA</i>	<i>69</i>
<i>Appendix — Veto Messages</i>	<i>70</i>

## **FY01 State Budget**

The total state budget for FY01 is roughly \$13.931 billion compared to FY00 Total State Budget of \$13.890 billion, a growth of approximately \$41 million. Federal and General Fund Revenue increased in FY01 while Statutory Dedications and Self-generated Revenue both declined.

General Fund revenues increased in FY01 by roughly \$195 million when comparing revenue available for establishing the FY01 executive budget to revenue available for the FY00 Executive Budget. The \$195 million in growth accounts for a decline in revenue, mostly in Corporate Income and Franchise taxes and the renewal of the 3 pennies on food and utilities recognized by the Revenue Estimating Conference on May 11, 2000. Additionally, the comparison recognizes the taxes raised during the 2000 Regular Session and an increase in oil revenues recognized by the Revenue Estimating Conference on June 16, 2000.

Tax measures passed during the 2000 Regular Session and increases in mineral revenues, both recognized by the Revenue Estimating Conference, fully funded the Supplemental Section (Section 17) of HB1.

General Fund Expenditures grew by 3.3%, or \$194.5 million. It should be noted that growth in the FY01 General Fund

Expenditures is primarily due to a replacement of the use of Tobacco Settlement Funds utilized in the FY00 budget in the Department of Health and Hospitals and an increase in debt service for FY01.

The following series of pie charts on the next page represent:

- Total Means of Financing;
- Total Expenditures;
- General Fund Revenue Forecast;
- General Fund Expenditures,
- Discretionary and Non-Discretionary General Fund Expenditures;
- Non-Discretionary portion of the budget by expenditure category.

Most of the sets of pie charts present data for FY00 and the appropriated level for FY01 for comparative purposes. In percentage terms, the Total State Budget grew by .3% from FY00. General Fund Expenditures grew by 3.3% for the same comparative time period. The “Non-Discretionary General Fund Expenditures by Category” pie chart shows the constitutional, statute, federal, and other mandates which the state is required by law to pay. These items are the reason nearly 61 percent of the State General Fund budget cannot be used by the legislature to fund any other programs than those provided for by law.

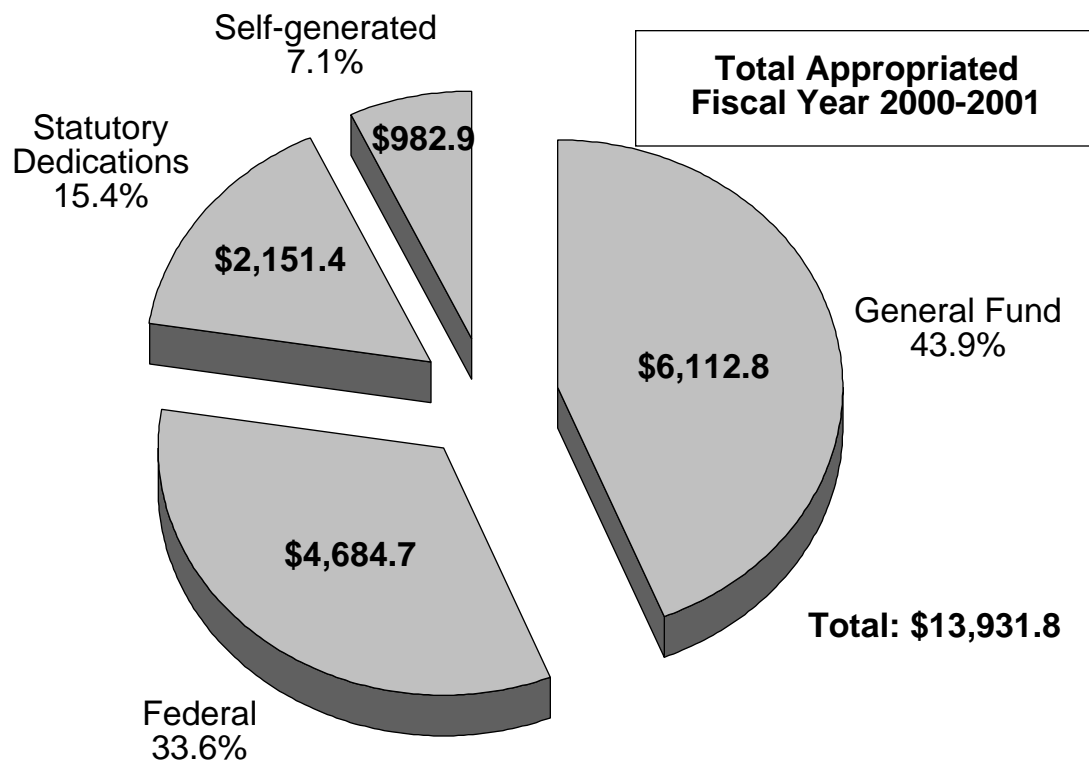
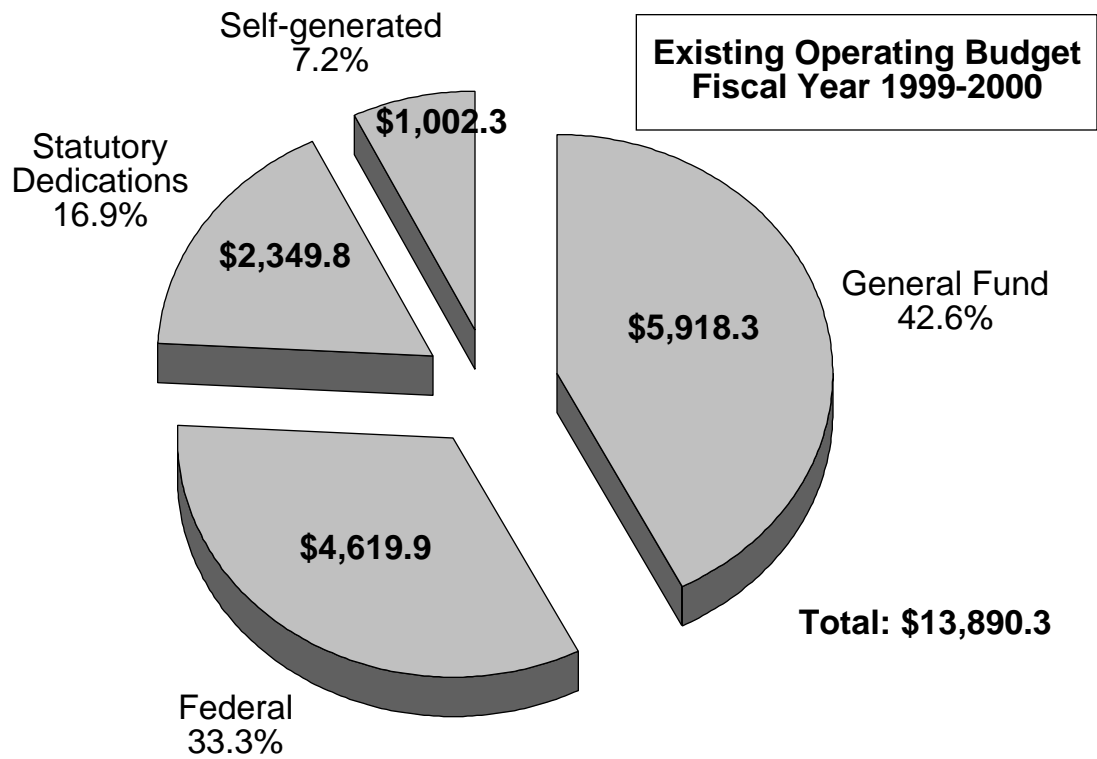
## **A Reduction in State Personnel**

In conjunction with the gubernatorially mandated personnel position reductions and attrition, which were both carried into the FY01 Executive Budget, Louisiana reduced total positions by approximately 2,262. Departments have until April 1, 2001, to reach their new authorized position levels as prescribed in HB1. The chart on page 11, provided by the Office of Planning and Budget, details position counts by department in comparison to FY00.

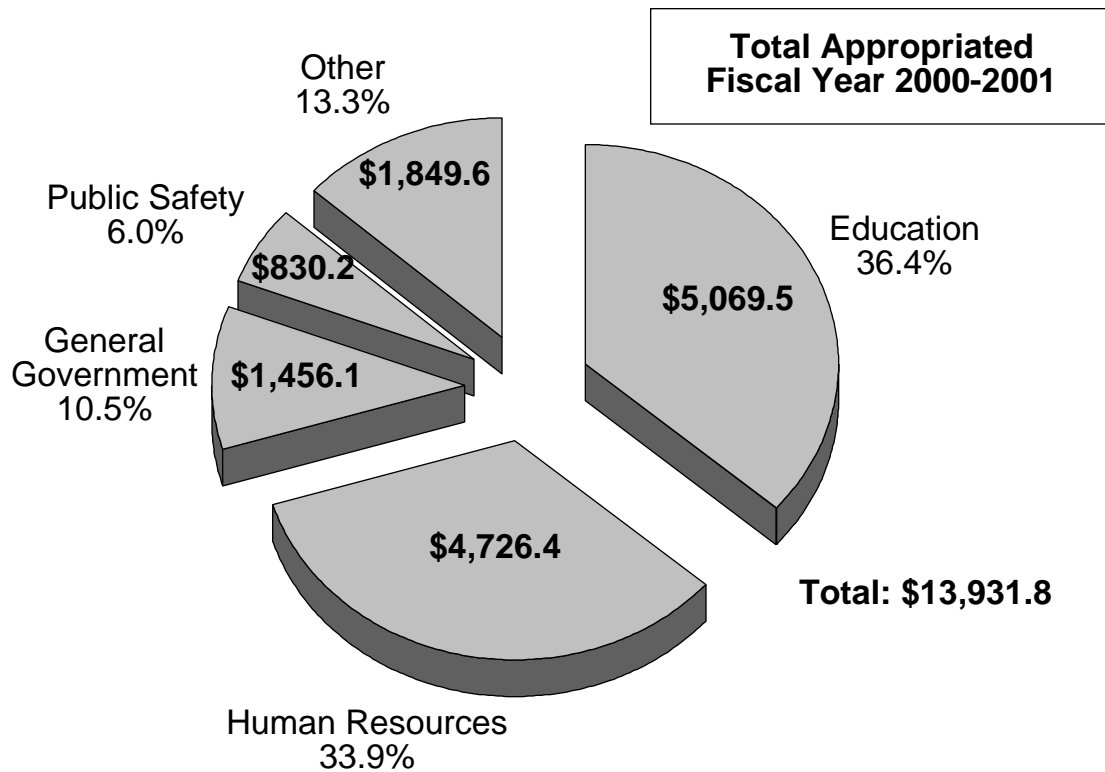
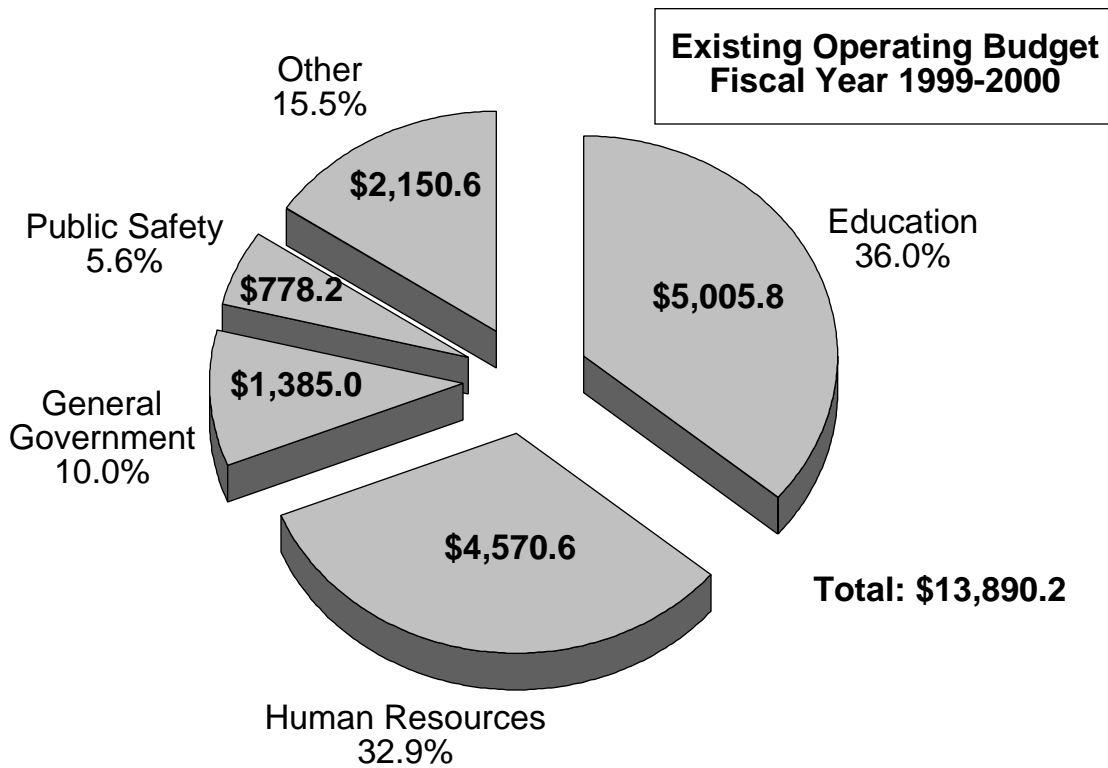


## **Charts and Tables**

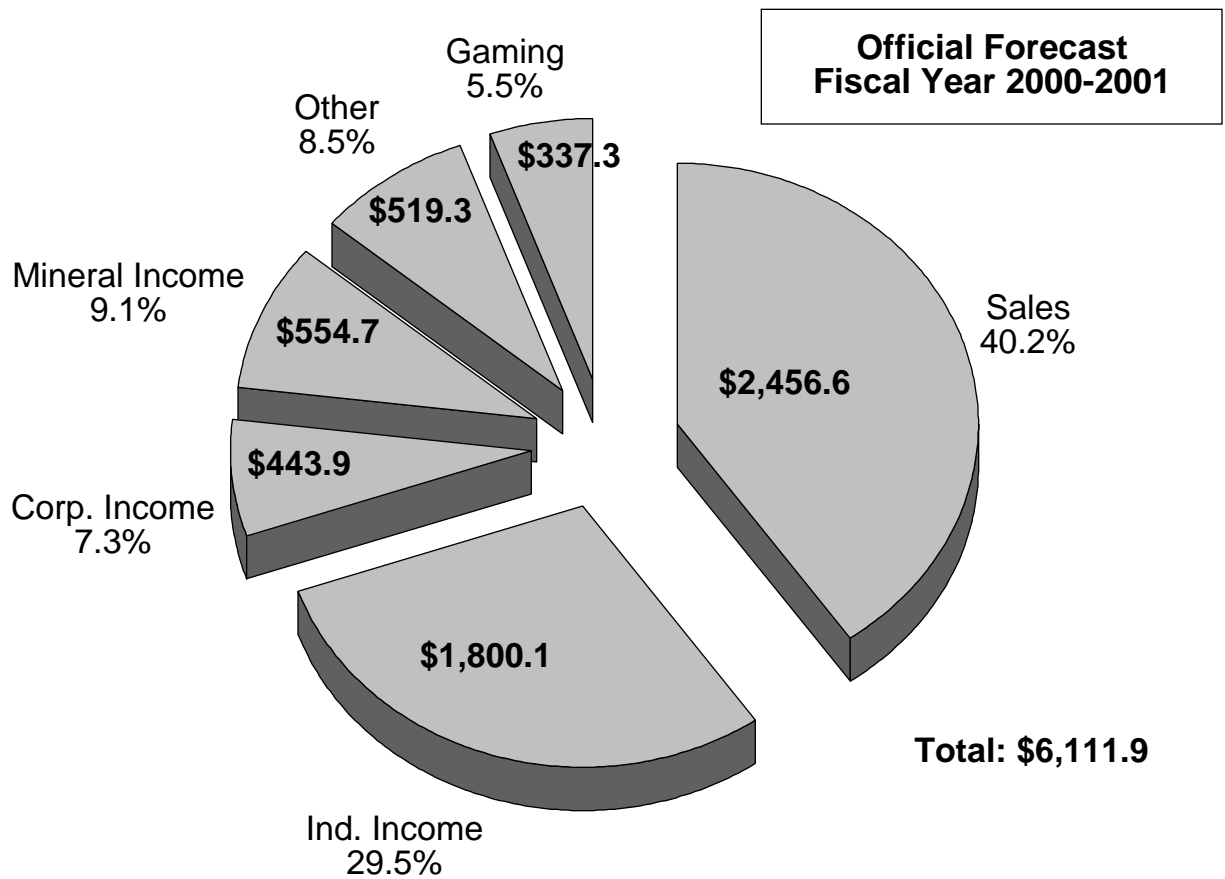
**TOTAL MEANS OF FINANCE**  
(in millions)



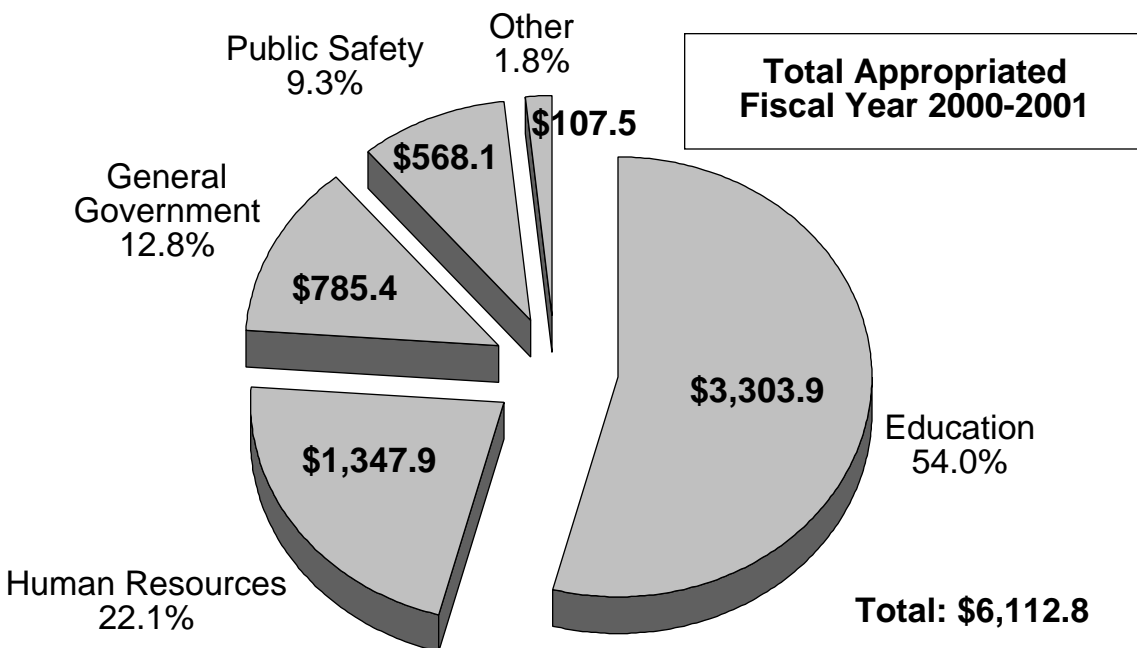
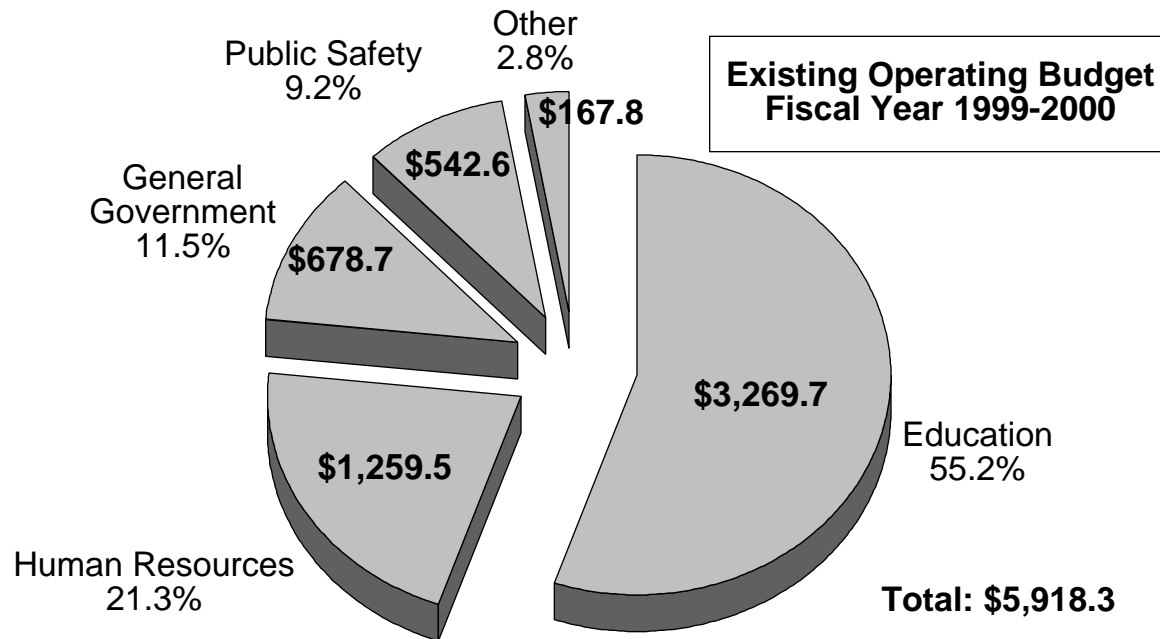
**TOTAL EXPENDITURES BY CATEGORY**  
(in millions)



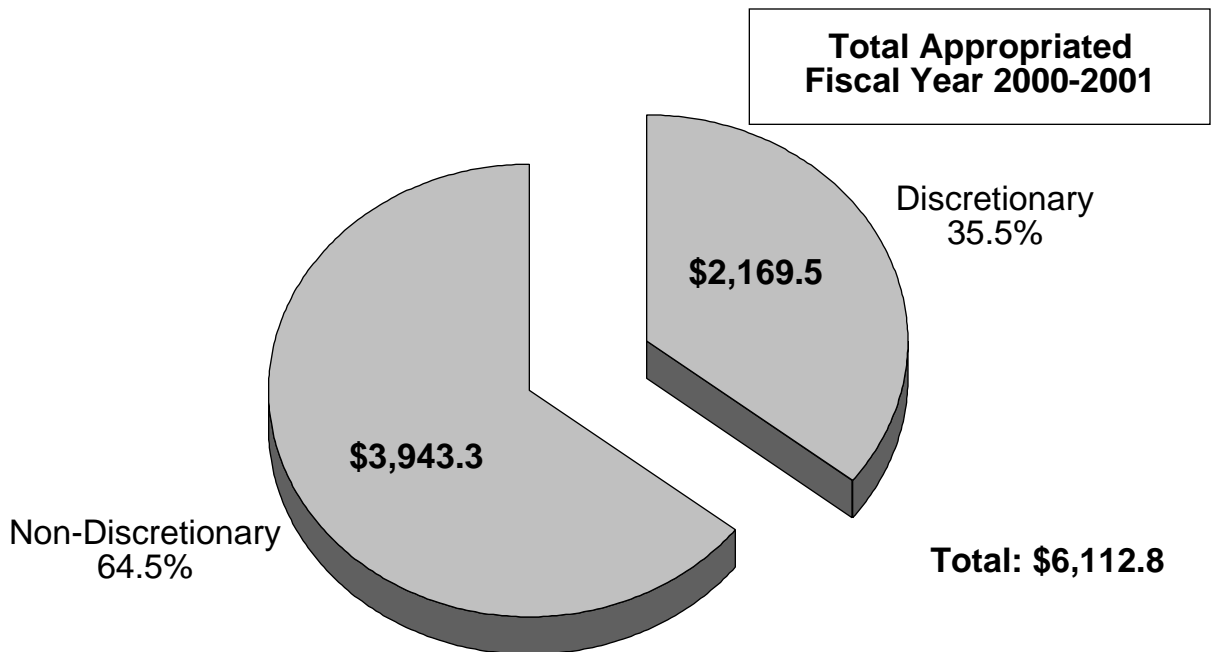
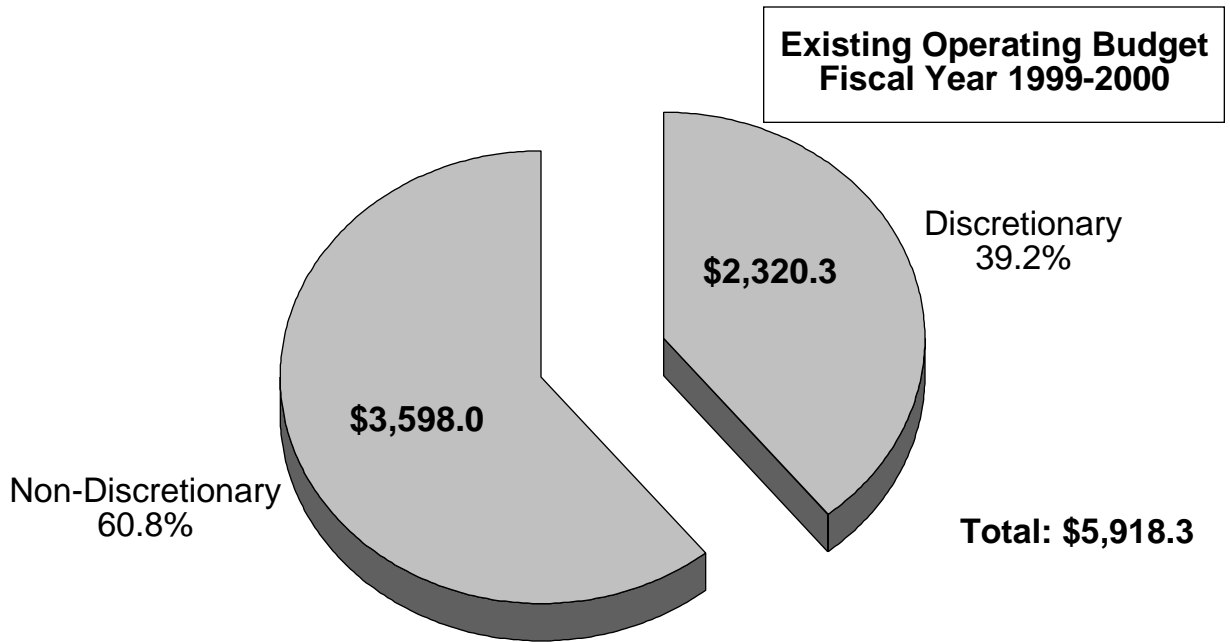
**GENERAL FUND REVENUE FORECAST**  
(in millions)



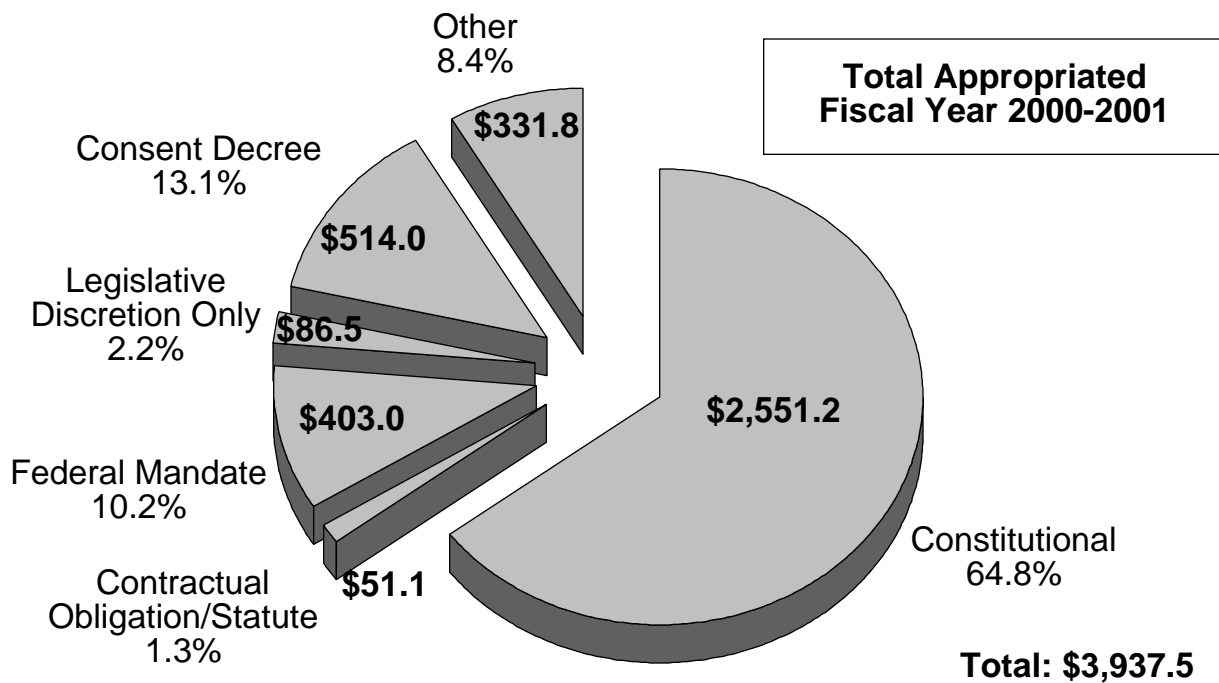
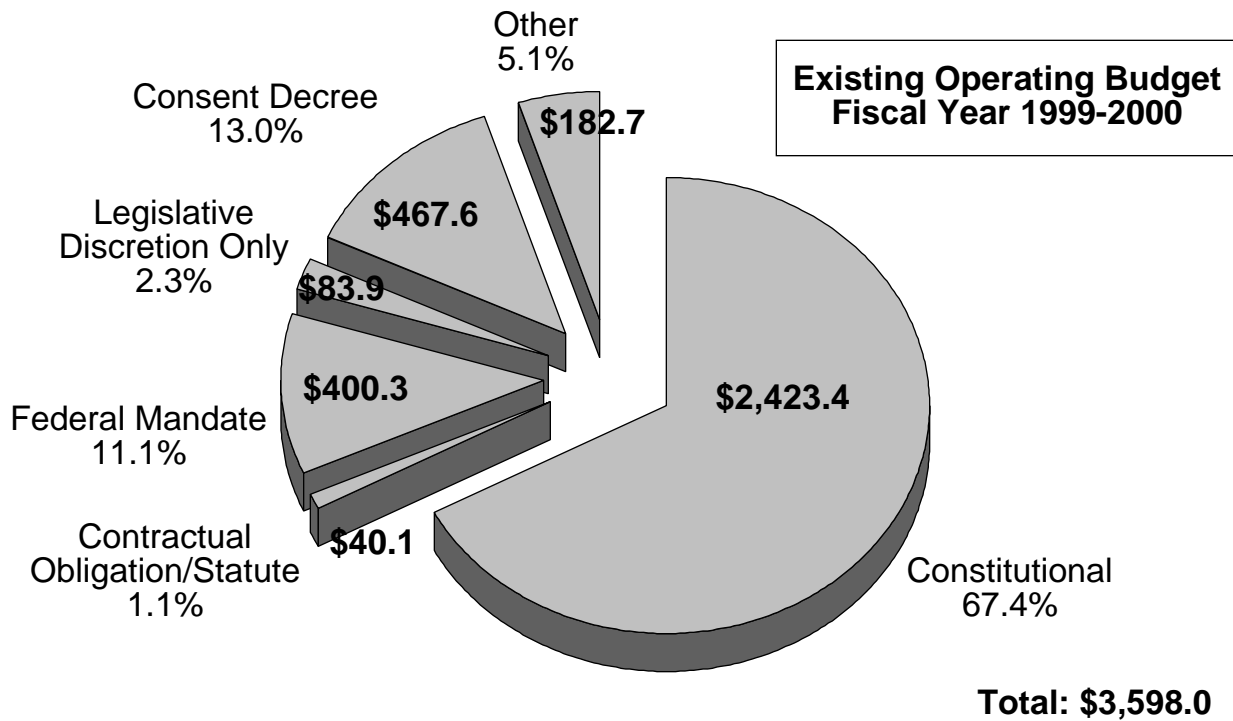
**GENERAL FUND EXPENDITURES**  
(in millions)



**DISCRETIONARY AND NON-DISCRETIONARY  
GENERAL FUND EXPENDITURES  
(in millions)**



**NON-DISCRETIONARY GENERAL FUND  
EXPENDITURES BY CATEGORY  
(in millions)**



A Summary of Existing Operating Budget Positions Compared to Enrolled Bill Positions														
DEPARTMENT NAME	Positions Exist. Op. Budget 12/03/99	*Vacant Positions Existing 05/03/00	Total *Vacant Positions Eliminated	Total Filled Positions Eliminated	Total Positions Eliminated	Total Positions Trans. In	Total Positions Trans. Out	Total New Positions Added	Net Positions Recomm.	Recommended Over/(Under) Exist. Op. Budget	T.O. Per BOATS	Difference Net & T.O.		
Executive	1,701	101	(101)	(53)	(154)	0	0	97	1,644	(57)	1,644	0		
State	185	15	(7)	0	(7)	0	0	0	178	(7)	178	0		
Justice	439	18	(18)	(10)	(28)	0	0	32	443	4	443	0		
Elections	92	13	(13)	(1)	(14)	0	0	0	78	(14)	78	0		
Lt. Governor	8	0	0	0	0	0	0	0	8	0	8	0		
Treasury	50	3	(3)	(3)	(6)	8	0	2	54	4	54	0		
Public Service	116	4	(1)	0	(1)	0	0	1	116	0	116	0		
Agriculture & Forestry	839	50	(50)	(1)	(51)	0	0	0	788	(51)	788	0		
Insurance	296	37	(24)	0	(24)	0	0	0	272	(24)	272	0		
Economic Development	365	49	(20)	0	(20)	0	0	0	345	(20)	345	0		
Culture, Rec. & Tourism	659	58	(26)	0	(26)	0	0	0	633	(26)	633	0		
D. O. T. D.	5,606	185	(185)	(105)	(290)	0	0	38	5,354	(252)	5,354	0		
Corrections	7,674	971	(127)	0	(127)	0	0	676	8,223	549	8,223	0		
Public Safety	3,028	180	(155)	(94)	(249)	0	(10)	36	2,805	(223)	2,805	0		
Health & Hospitals	13,573	895	(765)	(58)	(823)	24	(24)	0	12,750	(823)	12,750	0		
Social Services	6,523	362	(362)	(319)	(681)	0	0	3	5,845	(678)	5,845	0		
Natural Resources	490	13	(13)	(35)	(48)	0	0	0	442	(48)	442	0		
Revenue	1,053	42	(30)	0	(30)	0	(8)	0	1,015	(38)	1,015	0		
Environmental Quality	1,060	91	0	0	0	3	0	0	1,063	3	1,063	0		
Labor	1,263	13	(13)	(10)	(23)	0	0	0	1,240	(23)	1,240	0		
Wildlife & Fisheries	828	40	(40)	(122)	(162)	0	0	5	671	(157)	671	0		
Civil Service	182	15	(5)	0	(5)	0	0	6	183	1	183	0		
Retirement Systems	0	0	0	0	0	0	0	0	0	0	0	0		
Higher Education	165	20	(17)	(2)	(19)	0	0	0	146	(19)	146	0		
Other Education	923	24	(15)	0	(15)	0	0	43	951	28	951	0		
Dept. of Education	1,031	97	(6)	0	(6)	0	0	36	1,061	30	1,061	0		
Health Care Services Div.	9,890	619	(359)	0	(359)	0	0	0	9,531	(359)	9,531	0		
Other Requirements	0	0	0	0	0	0	0	0	0	0	0	0		
GENERAL APP. BILL	58,039	3,915	(2,355)	(813)	(3,168)	35	(42)	975	55,839	(2,200)	55,839	0		
Ancillary	1,023	64	(37)	(42)	(79)	10	(3)	10	961	(62)	961	0		
Non-Appropriated	0	0	0	0	0	0	0	0	0	0	0	0		
Judicial App. Bill	0	0	0	0	0	0	0	0	0	0	0	0		
Legislative App. Bill	0	0	0	0	0	0	0	0	0	0	0	0		
Special Acts	0	0	0	0	0	0	0	0	0	0	0	0		
Capital Outlay	0	0	0	0	0	0	0	0	0	0	0	0		
TOTAL STATE	59,062	3,979	(2,392)	(855)	(3,247)	45	(45)	985	56,800	(2,262)	56,800	0		

\* The vacant position reductions shown for the Dept. of Health and Hospitals includes 169 positions for the Capital Area Human Services District that were eliminated from the T.O.  
Source: Division of Administration - Office of Planning and Budgeting



## **Raising Revenue and Cutting Budgets**

The question will be asked, "Why in the midst of one of the best economies this state has ever enjoyed was it necessary to raise taxes during the recently completed legislative sessions?" Unfortunately, the answer is not a simple one. A combination of special budget issues and tax structure problems created a situation which required the budget be cut and taxes raised at the same time in order to continue vital government services.

The following is an explanation of some of the major factors that combined to make the preparation of the FY 01 budget a daunting task. The explanation begins with a quick review of the financing problems that have plagued the budget process for years and that show little sign of easing up in the future. One of the things that will become apparent in reading this section of the report is that the budget can only be balanced with periodic tax and fee increases coupled with the non-funding of many basic expenditure items. Unfortunately, it will not stay in balance for very long without additional tweaking of the revenue base or significant reductions in expenditures. There have been numerous efforts in the past to correct this problem, but regrettably, none has been successful.

## **Historical Perspective on Revenue Growth**

The tax structure problem has been years in the making and rears its head from time to time in the form of stagnant or declining revenue growth. The problem can be traced back to the early 1980's when oil prices, which had been on the rise since the late 70's, dropped precipitously. To replace the mineral revenue, the legislature had to raise taxes in 1984.

It wasn't long after 1984 that the budget was out of balance again. Money was borrowed from special and dedicated funds in the treasury to keep the budget afloat. When it became apparent that the borrowed funds could not be repaid, the legislature in 1989 created the infamous Louisiana Recovery District. This political subdivision (with boundaries coterminous with those of the state) issued bonds (something the state couldn't do because of a constitutional prohibition), gave the proceeds to the state to repay the special and dedicated funds, and paid off its bonds over a ten-year period with the avails of a 1¢ sales tax. The state repealed 1¢ of its sales tax so that the District could impose a 1¢ sales tax. This way there was no net increase in taxes. The District used some of the avails from the tax to pay its annual debt service and gave the remainder back to the state for use in the operating budget.

To eliminate the problem created by the failure to repay interfund borrowing, the legislature passed a law that required all interfund borrowing to be repaid before the end

of the year in which the borrowing occurred. While this eliminated the situation that existed in the past where deficits were allowed to accumulate from year to year, it did nothing to address lagging tax collections that had created the need to borrow and not repay in the first place. Closing the door on interfund borrowing across fiscal years eliminated a revenue stream that had been used to finance general fund operations in the mid-1980's and forced the legislature to look at new taxes to replace these funds. By 1988, the legislature found it necessary to levy a 2¢ sales tax on food and utilities, and in 1990, it created the state lottery.

By the early 1990's, revenues were lagging again. At the same time, Congressional changes to the federal Medicaid program created an opportunity for the state to use its network of charity hospitals to substantially increase Medicaid reimbursements. The program was referred to as the Disproportionate Share program (shortened to "Dispro") because the federal reimbursements were predicated on a hospital having a "disproportionate share" of indigent patients. In its heyday, this program generated over \$700 million in overcollections (profit) annually. Dispro overcollections were substituted for state funds in the hospital program, and the freed-up state funds were used to cover costs in other areas of government.

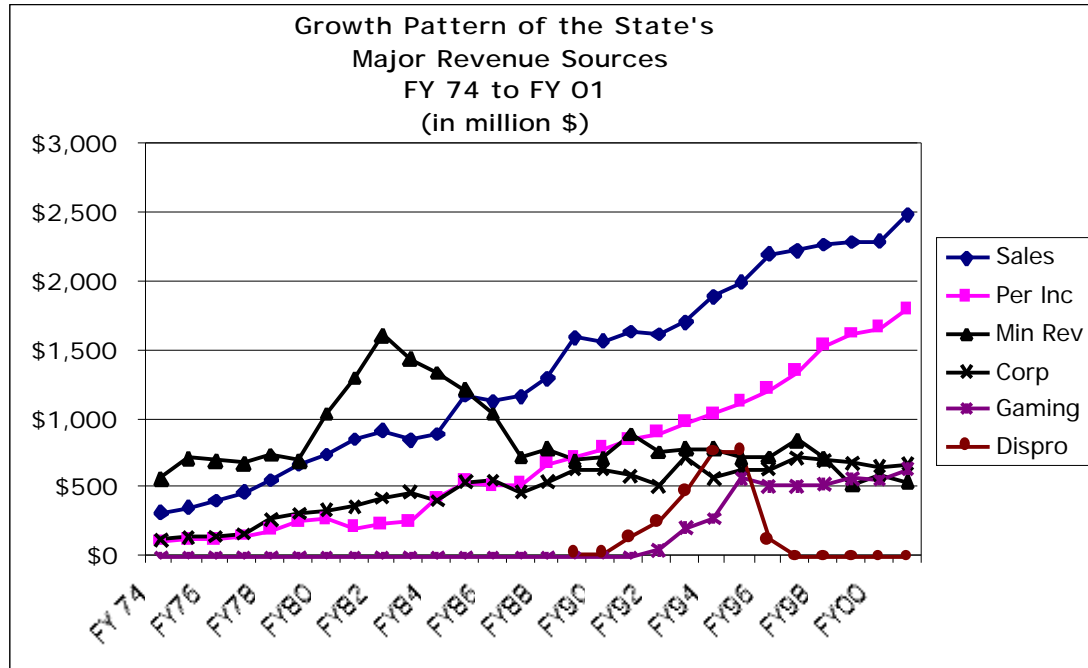
Louisiana was not the only state taking advantage of the Dispro program, and within a few years after Louisiana got into the program in a big way, the federal government began

phasing it out. The loss of the Dispro overcollections would have been a severe blow to the state budget had not video poker and riverboat gaming been phased in at the same time that Dispro was being phased out. Once again, the legislature would have been faced with making deep cuts in the budget or raising taxes if these new sources of revenue had not come on line.

From FY 95 to FY 98, the revenue base performed very well. The economy was kicking into high gear, and for that three-year period, the revenue base grew at a brisk pace. Unfortunately, this trend did not continue and by FY 99, there was an actual decline in revenue from FY 98. Were it not for the tax increases from the 2000 Regular Session, projected revenue for FY 01 would show a decline from the prior year.

These revenue problems are illustrated graphically in Exhibit A on the next page. The mineral revenue line from FY 82 to FY 01 shows that in FY 01 Louisiana will receive approximately \$1 billion less than what it received from this source in FY 82. Mineral prices rise and fall based on the supply of oil and natural gas. Because of declining on-shore reserves, however, mineral revenue will never play the prominent role it once did in the tax structure unless a change is made to bring offshore and imported oil and gas into the tax base.

## EXHIBIT A



Mineral income is only one of a number of major taxes that are not growing sufficiently to support budget needs. Corporate income and franchise taxes are stagnant because of tax exemptions and tax loopholes; the gaming industry in Louisiana has matured and will only produce minimal growth in the future; and profits from the disproportionate share provisions of the Medicaid law have been eliminated altogether by Congress. The sales tax line is showing some upward movement in FY 01, but that's only because a 1¢ sales tax was levied on food and utilities during the recently completed Regular Session. Internet and catalogue sales have begun to eat into sales tax collections. As electronic commerce matures the negative impact on sales tax revenue will increase. Congress has shown little sympathy for state

and local governments on this issue and continues to postpone legislation that would give states the right to tax Internet and catalogue sales.

Of all major revenue sources, only the personal income tax is consistently increasing (see graph) without periodic tweaking by the legislature. Personal income tax receipts have grown by 629% percent since 1982. A portion of this growth was the result of a federal income tax reduction in the mid 1980's (since federal taxes are deductible in computing state taxes, a reduction in federal taxes increases one's state tax liability). However, most of the growth is attributable to the elasticity of this revenue source that consistently grows faster than the rate of inflation.

### **Legislative Action on Taxes in 2000**

During the 2000 Regular Session the legislature did take two steps toward improving the elasticity and progressivity of the tax base. Elasticity has to do with how well the tax base grows in relation to personal income and progressivity has to do with how the tax is levied in proportion to wealth. The first step was the passage of HB 299 that reduced by half the amount of excess itemized deductions that can be taken when computing income tax liability. This is statutory law and does not need to be ratified by voters. The second step was the passage of HB 295 that eliminates the deductibility of federal income taxes in computing state income tax liability and

lowers the rates while compressing the income brackets. This measure also repeals the state sales tax on food and utilities. HB 295 will only become law if voters ratify HB 73, which is a constitutional amendment, on November 7, 2000. HB 73 eliminates the constitutional mandate that federal income taxes be a deductible item in computing state income tax liability.

Another constitutional amendment, HB 98, also must be ratified in order for HB 295 and HB 73 to become law. This amendment would prohibit the levying of a state sales tax on food and utilities.

The following is the sequence that must occur in order for the legislation affecting the state income tax to become law:

- If HB 98 (prohibits a sales tax on food and utilities) is ratified by voters; then,
- HB 73 which eliminates the deductibility of federal income taxes in computing state income tax liability will become effective; and,
- If HB 73 becomes law, then HB 295 which establishes new rates and brackets for the state income tax, and eliminates the deductibility of federal income taxes and the \$25 per child education tax credit will become law.

**REVENUE GROWTH FROM FY 00 TO FY 01  
( In million \$ )**

	Column A	Column B	Column C Rev. adj. including renewal of 3¢ on food & util.	Column D Taxes Raised Reg. Session 2000	Column E Inc. in FY 00 Revenue Base	Column F Total All Sources	Column G FY 01 Revenue Inc. Over FY 00
	FY 00 Revenue Available	FY 01 Executive Budget					
State Gen. Fund	\$ 5,918.0	\$ 5,574.0	\$ 288.0	\$ 211.1	\$ 39.9	\$ 6,113.0	\$ 195.0
Lottery	\$ 96.0	\$ 95.0			\$ -	\$ 95.0	\$ (1.0)
Total	\$ 6,014.0	\$ 5,669.0	\$ 288.0	\$ 211.1	\$ 39.9	\$ 6,208.0	\$ 194.0

**Column A** This is the Existing Operating Budget means of financing for FY 00. This represents the revenue that was available for general-purpose expenditures on December 3, 1999. This figure is used in the Governor's Executive Budget for comparison purposes.

**Column B** These figures represent the revenue available for general purpose expenditures that the governor used to prepare his FY 01 Executive Budget recommendations. These figures do not include revenue from the renewal of the sales tax on food and utilities because those revenues were not legally available at the time that the budget was submitted to the legislature.

**Column C** The figures in this column are the net of two things that were incorporated into the revised forecast of the Revenue Estimating Conference when it met on May 11, 2000. One was legislative action during the 2000 1<sup>st</sup>



Extraordinary Session that reinstated the sales tax on food and utilities. That action generated \$327 million. The second was a reduction in the revenue forecast for FY 00 by \$39 million mostly as a result of declining Corporate Income and Franchise taxes. The net result was an increase in the forecast of \$288 million (\$327 - \$39).

Column D     This column is the total of taxes raised during the Regular Session of 2000. Included in the figure of \$211 million are the following:

- HB 140 imposes a 1¢ sales tax on food and utilities \$110 million
- HB 299 eliminates half of the excess itemized deductions for state income tax purposes (\$70 million) and eliminates the \$25 per child education tax credit (\$15 million) \$85 million
- HB 117 imposes a 4¢ per pack cigarette tax \$14.7 million
- HB 193 adds a 2.5% sales tax on automobile rentals \$4.4 million
- HB 271 adds an 8% tax on electronic bingo card dabber devices in lieu of the tax on gaming supplies -\$.28 million

THE GOVERNOR VETOED THIS ITEM.

- HB 22 extends sales tax exemption for trucks and buses used in interstate commerce -\$1.0 million
- HB 44 eliminates sales tax on used mobile homes and on 54% of the value of new mobile homes -\$2 million

Column E This column represents an increase in the forecast of the existing revenue base plus a \$962,000 transfer of LEDC funds to the State General Fund. The increase in the revenue forecast was recognized by the Revenue Estimating Conference on June 16, 2000. The increase comes primarily from higher oil and gas prices that have boosted severance taxes and royalties.

Column F This column is the total of columns B, C, and D. The total represents the amount of revenue for general-purpose expenditures that will be available to the legislature for budget purposes in FY 01.

Column G This column is derived by subtracting column B from column E. The difference represents the increase in revenue from FY 00 to FY 01.

**New Taxes Account For All Of Revenue Growth Over FY00**

The above table shows the revenues would have actually declined in FY 01 without the additional revenue generated during the Second Extraordinary Session of 2000. As can be seen in Column G, revenue growth from the current fiscal year to next fiscal year is \$194 million. This is actually less than the \$211 million in new taxes raised during the 2000 Regular Session. This decline of roughly \$17 million (\$211-\$194) typifies the revenue problem that has plagued the budget throughout the current fiscal year (the governor issued two executive orders freezing spending in the current year) and appears to be spilling over into next fiscal year as well.

**Unusual Items Consume All Of The Revenue Growth – Cuts Necessary To Cover Normal Expenses of Government**

Under normal circumstances \$194 million revenue growth would be sufficient to meet the normal increases in the budget that are attributable to inflation, merit pay for employees, and increases in workload such as the additional 2,000 – 2,500 new prisoners that are added to the state's prison population each year.

Because of two very unusual budget items, one an expense and the other the dedication of tobacco settlement revenues, however, the \$194 million increase in revenues is insufficient to cover the normal increases mentioned above.

### **Defeasance Plans Run Their Course – Debt Service Returns To Normal Level**

The unusual expense referred to above is the growth in debt service from FY 01 to FY 02. This unusual expense totals \$134 million. This increase in the cost of debt service is not attributable to more bonds being issued; on the contrary, the state did not sell bonds last year at all. This increase is the result of defeasance plans (prepayment of debt) that have run their course.

The defeasance plans began in 1997 using the state general fund surplus from the prior year. There were three years of defeasance plans with terms of three to four years. The budget savings that resulted from these plans were used to fund three successive teacher pay raises in Fiscal Years 97, 98, and 99.

The defeasance procedure involves using a lump sum of cash to prepay interest and premium payments on state debt. When this is done, the cost of debt service in the ensuing years is lower. The defeasance plans were designed to maximize savings in the short term. The thinking at the time

that the plans were confected was that revenues would grow sufficiently so that by the time the defeasance plans ran their course, there would be revenue growth to cover the increase in debt service that would occur when the state returned to a normal amortization schedule for its bonded indebtedness. Unfortunately, revenue growth was not sufficient to cover the additional cost, and hence, a major part of this past session's budget problem was created.

**Tobacco Funds And Other Non-Recurring Revenue Used To Forestall Cuts To Medicaid in FY 00 Must Be Replaced With General Fund Revenue In FY 01**

The other unusual budget item occurred when the budget for the current fiscal year was being put together in the spring of 1999. Slower than expected revenue projections for FY 00 would have forced the administration to propose budget cuts to bring its Executive Budget recommendations in line with the lower revenue projections. Those cuts would have fallen more heavily on the Department of Health and Hospitals because that department is one of the largest components of the budget (36.5%) over which the legislature has spending discretion. The other large discretionary piece of the budget is Higher Education and because this area has been a budget priority of the administration since it took office in 1996, it was exempt from budget cuts.

Coincidentally, as the administration contemplated how to deal with the budget shortfall issue, all of the legal agreements necessary for the states to begin receiving payments from the tobacco lawsuit were being finalized. When it became apparent that Louisiana would receive its initial year settlement in the FY 00 fiscal year, the decision was made to use some of these first year tobacco funds to finance the operating budget rather than cut DHH. In addition to using tobacco settlement funds of \$63 million, another \$22 million from non-recurring sources was also used to finance the Medicaid budget in FY 00, bringing the total from tobacco and non-recurring sources used to finance the Medicaid budget to \$85 million.

During the 1999 Regular Session, the legislature passed a constitutional amendment that created a trust fund to capture future tobacco settlement payments. Voters ratified this amendment in the fall of 1999. As a result, the tobacco settlement funds used to finance the FY 00 Medicaid budget in DHH were not available for that same purpose in FY 01.

To take care of the additional costs that the defeasance and the non-recurring were going to have on the FY 01 budget would have required that revenues grow by at least \$219 million over the FY 00 budgeted amount (\$134 million plus \$85 million).

Without the new revenue raised during the 1st Special Session and the Regular Session, revenues would have

declined by \$17 million from this year to the next (add Columns B, C, and E and subtract that total from Column A). Even with the new revenue that was raised during those sessions, revenue growth over the current fiscal year is only projected to be \$194 million.

This growth of \$194 million is insufficient to cover the defeasance and non-recurring revenue problems let alone begin to fund the cost of an additional 2,000 to 2,500 inmates in state prisons, the growth in the TOPS program due to increased participation and an increase in college tuition, the continued funding of the Minimum Foundation Program for K-12 education, merit increases for state employees, the normal cost of inflation, or pay for increases in premiums in the state's self-insurance programs.

Consequently, it was necessary to make cuts in other areas of the budget to free up funds for these and a number of other areas where budget growth was necessary.

The following recap shows how the unusual budget items of defeasance and replacement of non-recurring funds in the Medicaid budget consumed all of the revenue growth from FY 00 to FY 01

Revenue growth from FY 00 to FY 01	
(including new taxes)	\$194 million
Less carryforward issues from FY 00:	
• Cost of returning to normal amortization schedule (defeasance issue)	(\$134) million
• Cost of replacing non-recurring revenue in the Medicaid budget	<u>(\$85) million</u>
Total carryforward	(\$219) million
Revenue available to finance all other cost increases	(\$25) million



## **Selected Departmental Overviews**

**Department of Agriculture and Forestry**

**Fiscal Year 2000-2001 Appropriation Level**

<b>State General Fund (Direct)</b>	<b>\$34,381,533</b>
<b>Total Means of Financing</b>	<b>\$103,997,010</b>

As debate began on the General Appropriations Bill during the 2000 Regular Legislative Session, the Department of Agriculture and Forestry had \$88 million above-the-line<sup>1</sup> funding, or about 77% of the level recommended in the 2001 Executive Budget. An additional \$25.2 million was below-the-line<sup>2</sup> at the time, including the Commodities Program, Formosan Termite eradication funding, the Animal Health Program, the Agro-Consumer Services Program, and the Soil and Water Conservation Program.

By the end of the 2000 2<sup>nd</sup> Extraordinary Session, the department's funding had been restored in HB1 to about 90% of the level recommended in the 2001 Executive Budget. The \$103.8 million in overall funding for the department had several additional appropriations. These include \$2 million for the Formosan Termite Initiative, \$1.1 million for the Commodities Program (approximately \$967,000 for this program is provided in the base of the budget), and \$1 million for the Animal Health Services Program. The Agro-Consumer Services Program and the Soil and Water

<sup>1</sup> Funding provided from official revenue projections.

<sup>2</sup> Appropriations made contingent on additional revenues being recognized

Conservation Program, two other programs which had once been below-the-line in the governor's supplementary budget section of HB1 in the regular session, were funded at \$3.7 million and \$2.4 million respectively.

This department had a loss of 51 T.O.<sup>3</sup> positions.

### **Department of Insurance**

<b>Fiscal Year 2000-2001 Appropriation Level</b>	
<b>State General Fund (Direct)</b>	<b>\$0</b>
<b>Total Means of Financing</b>	<b>\$18,105,033</b>

The Department of Insurance was funded at just over \$18.1 million in HB1 as a result of the 2000 2<sup>nd</sup> Extraordinary Session, including a line-item appropriation that restored seven positions in the Market Compliance Program. This total is approximately \$8.5 million less than the amount the department was funded in the FY 2000 Executive Budget, or about a 30% reduction. This department had a loss of 24 T.O. positions.

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<sup>3</sup> Table of Organization

**Department of Economic Development**

**Fiscal Year 2000-2001 Appropriation Level**

<b>State General Fund (Direct)</b>	<b>\$31,435,394</b>
<b>Total Means of Financing</b>	<b>\$76,117,284</b>

The Louisiana Department of Economic Development could be abolished and Louisiana, Inc., could become the state's new economic development resource center, if a constitutional amendment is ratified by the voters during the 2000 fall elections. In the event the DED is abolished, the appropriations bill made provisions to allocate transition start-up funding for La. Inc. in the amount of \$1.3 million.

- The Louisiana Economic Development Fund provided a revenue source for four regional economic development efforts amounting to \$962,000 in State General Funds:

1. Metrovision	\$450,000
2. Macon Ridge Development Region, Inc.	\$250,000
3. South Louisiana Economic Development Council (Bayou Vision)	\$150,000
4. Northeast and Northwest Louisiana Economic Development Activities	\$122,000

- A total of \$5 million was provided for the Economic Development Awards Program from the Louisiana Public

Facilities Authority, contingent on funds being recognized by the Revenue Estimating Conference.

## **Department of Transportation and Development**

### **Fiscal Year 2000-2001 Appropriation Level**

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<b>State General Fund (Direct)</b>	<b>\$434,000</b>
<b>Total Means of Financing</b>	<b>\$357,494,390</b>

At the close of the 2000 2<sup>nd</sup> Extraordinary Session, DOTD's budget was \$357.5 million for FY 2001, or about 1.7% less than its funding level for the FY 2000 Executive Budget. This department also had a loss of 252 T.O. positions. In the original HB1 of the 2000 Regular Session, the department had no below-the-line funding. Several enhancements to DOTD's budget were stripped during committee hearings, most notably a \$1.5 million appropriation which would have supplied the department with a new airplane for taking aerial survey pictures, but several Statutory Dedications and Self-generated Revenues were approved, such as:

- \$172,500 in Statutory Dedications for technical support staff for the Information Technology Section;
- \$400,000 in Statutory Dedications for an automation plan to establish directives for the department's computer system;

- \$594,462 in Statutory Dedications for contracts for digital maps, traffic studies, transportation plans, and pavement distress data;
- \$174,273 in Self-generated Revenues from the LOGO program for contracts for research and development and the LOGO sign program;
- \$417,020 in Self-generated Revenues for the increased training for 105 officers in the Weights and Standards Police.

**Department of Corrections**

<b>Fiscal Year 2000-2001 Appropriation Level</b>	
<b>State General Fund (Direct)</b>	<b>\$568,062,350</b>
<b>Total Means of Financing</b>	<b>\$615,711,881</b>

In comparison to other departments, Corrections Services made it through the budget process largely intact. In the Preamble to the re-engrossed version of HB1 during the 2<sup>nd</sup> Extraordinary Session, almost all Corrections programs were exempted from an across-the-board cut designed to effect a State General Fund (Direct) savings of approximately \$7 million over the entire budget. Only Sheriffs' Housing of State Inmates was not exempted. These preamble cuts were removed from the enacted version of HB1.

Attempts were made in both the Regular Session and 2<sup>nd</sup> Extraordinary Session to use \$1.5 million from Sheriffs' Housing to fund expansion for 600 drug court slots (300 slots at \$750,000 in both Adult Probation and Parole and in DHH's budget in the Office for Addictive Disorders), but these measures were removed.

A provision to fund \$3.8 million for the D.A.R.E. Program for the Louisiana Commission for Law Enforcement was included in the final version of the bill using 61 cents of the \$23 per diem paid to sheriffs for housing state inmates in

local facilities. Thus, sheriffs will be paid \$22.39 for FY 2001, which is \$1.39 higher than the \$21 indicated in statute for per diem payments.

Several line-item appropriations and language amendments were made in the Corrections budget, including:

- \$5.3 million for a pay increase for Correctional Security Officers and Probation and Parole Officers. This amount equates to a 3.5% raise for these officers, which would bring starting salaries up from a lowest-in-the-nation \$15,324 to \$15,860. In the original Executive Budget, the department requested \$21 million (a 14% increase) which would have raised salaries to the Southern average. The Department of Corrections has indicated that it will make internal budget adjustments to bring the raise up to 4%;
- Approximately \$11.2 million for the Juvenile Justice Settlement Agreement with the U.S. Department of Justice, which also includes 220 positions. The Commissioner of Administration is authorized to distribute these funds and positions within the Department of Corrections;
- A reduction of \$400,000 in State General Fund (Direct) for the appropriation for Swanson Correctional Center for Youth – Madison Parish Unit to reflect a reduction of the same amount in debt service payments on the department's contract for the facility;
- Authorization for the Commissioner of Administration to distribute \$2 million from the Contract Services Program



to other programs in the Office of Youth Development due to the transfer of juvenile offenders from the Jena Juvenile Justice Center. The department is no longer contracted to house any inmates, juvenile or adult, in the Jena facility;

- An additional appropriation of \$477,000 in State General Fund (Direct) for the Juvenile Justice Settlement Agreement for training expenses to instruct officers on how to better handle juvenile offenders;
- An additional appropriation of \$247,000 in State General Fund (Direct) to support research, evaluation, and development services of Corrections activities conducted by the LSU School of Social Work.

Corrections had an increase in its T.O. of 549 positions.

### **Department of Public Safety**

<b>Fiscal Year 2000-2001 Appropriation Level</b>	
<b>State General Fund (Direct)</b>	<b>\$0</b>
<b>Total Means of Financing</b>	<b>\$225,114,386</b>

The Department of Public Safety's budget increased by \$10.9 million to \$225.1 million in the final version of HB1, which is a 5% increase over its FY 2000 budget. The department lost all of its State General Fund (Direct) for FY 2001, a decrease of \$10.9 million. These funds were made up by other means of financing, such as an \$8 million increase in

Federal Funds in anticipation that the state's open container and repeat offender DWI laws are inadequate. The department's Table of Organization (T.O.) decreased by 223 positions, most of which were vacant.

The department also received a number of line-item appropriations, which include most notably:

- \$700,000 from the Riverboat Gaming Enforcement Fund to the Automated Fingerprint Identification System for increased maintenance expenses;
- A total of \$450,000 from the Pari-mutuel Live Racing Facility Gaming Control Fund for background suitability checks, regulatory and enforcement activities related to slots at the tracks. This appropriation includes nine positions. Also, \$50,000 of this appropriation was allocated for the expenses of the Bossier and Calcasieu Parish Pari-Mutuel Live Racing Economic Development and Gaming Control Assistance Districts;
- A total of \$242,108 from the Insurance Fraud Investigation Fund to the Criminal Investigations Program for expenditures related to the training of State Police cadets. An additional provision stipulates that the Commissioner of Administration is authorized to change the means of finance for this appropriation if HB250 from the 2000 Regular Session becomes law;
- \$6,133,390 from the Office of Motor Vehicles Customer Service and Technology Fund for reengineering of data

- processing services and acquisition of a new drivers license/identification card sticker machine;
- Restoration of 25 positions in the Office of Motor Vehicles, fifteen of which are to be used for the Toll-Free Hotline, with \$750,000 from Fees and Self-generated Revenues;
  - Seven positions and \$296,450 in Fees and Self-generated Revenues to the Fire Prevention Program for inspections of manufactured housing;
  - Six positions and \$345,076 in Fees and Self-generated Revenues for boiler inspections in the Fire Marshal's Office.

**Department of Health and Hospitals and Louisiana State  
University Health Science Center – Health Care Services  
Division**

**Fiscal Year 2000-2001 Appropriation Level (DHH)**

<b>State General Fund (Direct)</b>	<b>\$1,136,370,629</b>
<b>Total Means of Financing</b>	<b>\$4,406,134,744</b>

**Fiscal Year 2000-2001 Appropriation Level  
(LSUHSC-HCSD)**

<b>State General Fund (Direct)</b>	<b>\$3,300,000</b>
<b>Total Means of Financing</b>	<b>\$786,402,679</b>

Although most state agencies' funding was cut during the legislative appropriations process, the FY 2000-01 expenditure level for the Department of Health and Hospitals (DHH) was increased by \$139.4 million, or 3.3 percent over the FY 00 level. Nonetheless, DHH's Table of Organization (T.O.) was decreased by 823 positions, or 6.1% for FY 01.

The following is a list of major DHH budgetary developments for FY 01:

As many as 800 DHH employees may be laid off, and some facilities may be closed because the \$4.3 billion departmental budget is about \$20 million less than the amount needed to

continue services at the current level. The state may need to close some parish health units and substance abuse treatment centers due to the funding shortfall. DHH may also have to lay off employees who determine whether people are eligible for Medicaid. Losses from that group may prove to be especially difficult since DHH is under a court order to determine Medicaid eligibility in a timely fashion.

Nevertheless, the \$3.5 billion Medicaid budget is on a sound financial footing. By raising new revenues, the Legislature guaranteed state funding for a large number of Medicaid services that were previously in jeopardy, including:

- Prescription drugs for persons over 21 who are not pregnant or institutionalized [\$32.5 million in state funds];
- The medically needy program to provide health care to people who lack adequate health insurance and whose incomes make them ineligible for Medicaid [\$5.2 million in state funds]; and,
- Restoration of a seven percent (7%) cut in Medicaid reimbursements to nursing homes and other private health care providers [\$15.0 million]. Further, rates paid to private nursing homes were increased by a total of \$14.6 million, financed by federal funds and increased provider fees;
- Also, a total of \$5.5 million of the Medicaid budget was earmarked by the Legislature for small rural hospitals.

**TEFRA was not funded, but a program to help severely disabled children was ...**

The Tax Equity and Fiscal Responsibility Act (TEFRA) program to help parents of severely disabled children at home was not funded. Instead, lawmakers voted to: (1) fund a low-cost flexible waiver program to help as many as 1,120 children with severe disabilities such as spina bifida and multiple sclerosis; and (2) make the Louisiana Children's Health Insurance Program (LaCHIP) more accessible. Under this approach, combining the low-cost flexible waiver with the expansion of LaCHIP not only provides the state's severely disabled children and their families with the most important health care benefits, but also ensures that DHH can control program costs by limiting services to the number of slots funded by the General Appropriations Bill.

The flexible, low-cost Medicaid Home- and Community-Based Services (HCBS) waiver program is considered a first step toward meeting the health care needs of an estimated 5,000 severely disabled children in middle class families. Under a regular TEFRA program, middle class parents of severely disabled children could get traditional government-assisted health care for their children under the Medicaid program. State officials, however, have resisted a full-blown TEFRA program in Louisiana to serve severely disabled children.

One reason is that such a program could cost as much as \$50 million in state and federal funds within three years. Another reason is that whereas TEFRA allows only regular Medicaid services, many severely disabled children need the additional services available only through a Medicaid HCBS waiver, such as respite care and medication administration. Under the plan contained in the General Appropriations Bill, \$3.0 million in state funds would match nearly \$6.1 million in federal funds to implement a new \$9.1 million health care program for disabled children of middle class families. This would not be a TEFRA program, although services would be similar. The program would provide medical and other health care services to disabled children up to \$15,000 per year per child. The new waiver program is slated to start by January 15, 2001.

The household earnings ceiling has been raised to make more children eligible for LaCHIP, the state's insurance program for poor youngsters. The program is currently open to children in households with incomes up to 50% more than the official federal poverty level. Instead of continuing at 150% of the poverty level, the General Appropriations Bill provides that households will be covered at 200% of that amount, making children eligible for state-paid health care if their families have incomes up to about \$34,000 a year. LaCHIP's outreach efforts are expected to add between 10,000 and 11,000 children to the program.

These additional children entering LaCHIP are expected to include 1,120 severely disabled children who would have qualified for full-blown TEFRA assistance. Under the plan contained in the General Appropriations Bill, \$2.0 million in state funds will be used to match \$7.5 million in federal funds to expand LaCHIP eligibility by a total of \$9.5 million. It should be noted that the LaCHIP state match rate, at 20.67%, is lower than the HCBS match rate of 29.52%. As a result, expanding LaCHIP to provide services for some of the severely disabled population will result in a potential cost savings to the state since it will require fewer state dollars to generate LaCHIP federal funds.

Money for school-based health clinics has been included in the General Appropriations Bill at \$5.8 million, an increase of \$1.6 million over FY 00.

Charity hospitals were funded at 100 percent of the Governor's Executive Budget. Still, the hospitals will receive about \$6 million less than last year, which means a reduction of about 1%. All nine hospitals should remain open without layoffs. Earlier in the legislative budgetary process, proposed cuts threatened to force the closing of three hospitals in the Charity system, which treats Louisiana's poorest patients and is the principal training ground for most of its doctors. By the time the General Appropriations Bill was enacted into law, virtually all of the threatened cuts had been restored. Nevertheless, the Charity system will be operating on a standstill budget of about \$780 million during FY 01 since it



must fund both merit raises for the system's 9,800 employees and inflation out of the monies appropriated.

## **Department of Social Services**

### **Fiscal Year 2000-2001 Appropriation Level**

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<b>State General Fund (Direct)</b>	<b>\$208,254,634</b>
<b>Total Means of Financing</b>	<b>\$829,527,049</b>

The department will cut a total of 678 positions. The majority of additional funding that the department received throughout the legislative process was a draw down of available federal funds.

- Added Federal Funds for wrap-around child care assistance at Head Start Centers \$24,000,000
- Federal Funds to increase the monthly FITAP cash grant by \$50 per month for a family of three, from roughly \$190 to \$240 per month \$18,600,000
- Federal funds for additional child care assistance service to annualize a BA-7 approved in April, 2000 increasing TANF expenditure authority for this purpose \$27,426,488
- Federal funds to upgrade the child support enforcement computer system \$4,475,500

- Senate Floor amendments funded 100 positions in child protection, foster care and adoption services in the Child Welfare Program (\$1,856,800 SGF and \$1,856,700 Federal Funds) \$3,713,500

## **Department of Natural Resources**

### **Fiscal Year 2000-2001 Appropriation Level**

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<b>State General Fund (Direct)</b>	<b>\$1,282,925</b>
<b>Total Means of Financing</b>	<b>\$101,991,996</b>

The Department of Natural Resources sustained significant cuts as a result of the FY 01 budget process, including a decrease in its T.O. of 48 positions. Compared to its FY 00 budget level of \$141.2 million, DNR will be funded at \$101.9 million for FY 2001, a 27.7% reduction. The largest part of this decrease is due to a drop in Statutory Dedications of \$23.3 million (largely for multi-year coastal restoration projects that have been completed).

Two measures passed through the Legislature during the 2000 1<sup>st</sup> Extraordinary Session to address DNR's funding shortage — Act 86, which increases annual safety inspection fees on natural gas distribution and hazardous liquid pipelines, and Act 88, which increases fees payable to the Office of Conservation. These acts are expected to provide a

combined total increase of \$990,000 (\$140,000 in Self-generated Revenues and \$850,000 in Statutory Dedications to the Oil and Gas Regulatory Fund).

Other major budget items include:

- An additional \$713,000 in State General Fund (Direct) for operation of the Office of Conservation;
- \$280,000 in Statutory Dedications and seven positions to the Office of Conservation;
- \$206,000 for testing of water and watershed systems in rural areas of the state out of the Legal Support Fund.

THE GOVERNOR VETOED THIS ITEM.

## **Department of Revenue**

<b>Fiscal Year 2000-2001 Appropriation Level</b>	
<b>State General Fund (Direct)</b>	<b>\$16,251,050</b>
<b>Total Means of Financing</b>	<b>\$70,890,884</b>

The Department of Revenue's budget decreased by just over 8% between the FY 00 Executive Budget and the final version of HB1, a decrease of \$6.5 million from the existing level of \$77.4 million. The department also had a loss of 38 positions from its Table of Organization. Several line-item appropriations were added to the department during the budget process, including among other things:

- \$3 million in Fees and Self-generated Revenues from prior year collections for the Tax Collection Program;
- \$3 million in Fees and Self-generated Revenues from prior year collections for the Tax Reengineering Project;
- \$2.5 million in Fees and Self-generated Revenues from prior year and current year collections;
- \$6 million in Fees and Self-generated Revenues from prior year collections for the Tax Collection Program;
- Administrative support in the Charitable Gaming Program with \$560,019 in Fees and Self-generated Revenues from prior year collections;
- Software and software maintenance and support services with \$1.2 million in Fees and Self-generated Revenues;
- \$700,000 in Fees and Self-Generated Revenues for electronic online filing of sales tax returns;
- Restoration of 20 positions from gubernatorially mandated personnel reduction in the Tax Collection Program including \$823,197 in Fees and Self-generated Revenues.

### **Department of Environmental Quality**

#### **Fiscal Year 2000-2001 Appropriation Level**

<b>State General Fund (Direct)</b>	<b>\$920,813</b>
<b>Total Means of Financing</b>	<b>\$113,259,917</b>

The budget for DEQ decreased by about \$9.1 million in the final version of HB1 from \$113.3 million in the existing

Executive Budget for FY 00. The largest portion of this decrease came about from a drop of over \$8.9 million in Statutory Dedications, due largely to a reduction in the waste tire and motor fuels funds to reflect projected needs for FY 01. This department had a slight increase of 3 T.O. positions.

### **Department of Wildlife and Fisheries**

<b>Fiscal Year 2000-2001 Appropriation Level</b>	
<b>State General Fund (Direct)</b>	<b>\$0</b>
<b>Total Means of Financing</b>	<b>\$51,100,179</b>

The most significant budget action for this department occurred during the 2000 2<sup>nd</sup> Extraordinary Session when a fee bill totaling \$8.3 million was passed. Through this bill, a number of changes in hunting and fishing fees will occur (should it be signed into law by the governor), including an increase in the basic hunting license for Louisiana residents to \$15 a year from the current \$10.50, and an increase in the basic resident fresh-water fishing license by \$4 to \$9.50.

Overall, DWF's budget decreased by \$15.3 million from the existing Executive Budget level of \$66.4 million to the final version of HB1, representing a 23% decrease. It also had a loss of 157 T.O. positions.

## **New Hunting and Fishing License Package**

In addition to the changes in the basic resident hunting and fishing licenses, other new fees and adjustments include:

- Non-resident hunting license for an entire season increases from \$86 to \$200;
- Non-resident hunting license for 5 consecutive days increases from \$51 to \$100;
- Resident big-game hunting license increases from \$10.50 to \$14.00;
- Non-resident big-game hunting license for an entire season increases from \$160.50 to \$225;
- Non-resident big-game hunting license for 5 consecutive days increases from \$95.50 to \$110;
- Non-resident bow hunting license increases from \$25.50 to \$50;
- Non-resident special muzzleloader license fee to take deer increases from \$25.50 to \$50;
- Non-resident migratory bird license for 3 consecutive days increases from \$45.50 to \$75;
- Senior citizen hunting and fishing license fee of \$5, which replaces basic hunting, big game, bow, and muzzleloader licenses, waterfowl and turkey hunting stamps, and the basic and saltwater fishing licenses. Seniors age 60 on or after June 1, 2000, are required to purchase this license; seniors age 60 prior to June 1, 2000, may opt to pay for this license;
- Annual Wildlife Management Area hunting permit set at \$15 for all persons between 18 and 60 to hunt on any land

administered by the DWF. This fee will be used for maintenance and upkeep of the areas;

- Non-resident duck stamp fee of \$25;
- Non-resident wild turkey stamp increases from \$10.50 to \$20.50;
- Non-resident annual fishing license increases from \$31 to \$60;
- Non-resident fishing license for 3 consecutive days increases from \$20 to \$30;
- Resident and non-resident freshwater trout license is removed;
- Non-resident annual saltwater fishing license increases from \$36 to \$50;
- Non-resident saltwater fishing license for 3 consecutive days increases from \$20 to \$40;
- Non-resident charter passenger (with a charter guide on board) fishing trip license for 3 consecutive days increases from \$2.50 to \$5;
- U.S. citizens on active duty in the U.S. military may hunt and fish in Louisiana by paying the appropriate license fee at the state resident rate;
- Authorizes a combination lifetime hunting and sport fishing license for children from birth to age 5 born in the state for \$200;
- Adjusts the \$15 fee for issuance of identification of motorboats or sailboats (3-year license) for boats 14 feet or less in length — \$20; boats over 14 feet but less than 18 feet (including 18 feet exactly) — \$25; boats over 18 feet — \$30, plus \$2 per foot or portion thereof in excess of 18 feet.

## **Higher Education**

### **Fiscal Year 2000-2001 Appropriation Level**

<b>State General Fund (Direct)</b>	<b>\$865,064,342</b>
<b>Total Means of Financing</b>	<b>\$1,753,482,944</b>

Like the Department of Corrections, the Higher Education community was left relatively untouched by the massive budget cuts implemented through the Executive budget. Higher Education lost 19 positions overall. The Administration made a commitment early in the Session that Higher Education would not sustain the type of cuts it had in the past. Moreover, the Governor felt that instituting any cuts would undo the advancement made over the last four years. The FY01 total budget for Higher Education is approximately \$48 million over the FY00 existing operating budget, which represents a \$23 million increase in State General Fund. The FY01 Total Means of Financing is \$1.7 billion. The following items are some of the significant FY01 changes from the current year budget:

- Increase in Interagency Transfers for the Louisiana State University (LSU) Health Science Center due to higher projections of Uncompensated Care Cost and Medicaid collection \$14,709,442



- Funding for the LSU Health Science to correct Interagency Transfer problem between the Shreveport and New Orleans campuses. \$12,754,910
- Additional formula allocation funds to be distributed by the Board of Regents (see distribution below) \$11,900,000
- Maintained funding for the Aid to Independent Institutions program through the Board of Regents. These funds pay for eligible Louisiana resident students at the following colleges and universities: Centenary College, Dillard University, Louisiana College, Loyola University, Our Lady of Holy Cross, Tulane University, Tulane Medical Center, Xavier University, Our Lady of the Lake College, and St. Joseph Seminary College \$4,260,486
- Increased funding from the Louisiana Quality Education Support Fund 8(g) (Statutory Dedication) for additional endowed chairs and Professorships \$2,720,000
- New funding for Louisiana State University Health Science Center in New Orleans for the new Clinical Science Building \$2,358,425
- Increased funding for the Gene Therapy Initiative. The existing funding is from Tobacco Revenues but will be replaced in the upcoming fiscal year with state general fund \$2,500,000

- Additional funds to annualize the Emerging Community College Pool \$1,500,000
  - \* Of the funds appropriated for community colleges, \$250,000 is allocated to Delta Community College for start-up costs.
- The Louisiana Kidney Care Program received an additional \$300,000 bringing the total program to \$1.9 million \$1,900,000

### **Higher Education Formula Distribution**

The following chart shows the distribution of the Library, Scientific and Instructional Equipment funds, (a Capital Outlay appropriation of \$15 million) and Operational Funding ie. Formula Enhancement (a General Operating Budget Appropriation of \$11.9 million). The distributions are “preliminary” distributions, which are subject to the approval by the Board of Regents at their August meeting. The Board of Regents is directing the schools to use the allocation in preparing their operating budgets.

In reviewing the distribution, the following points should be kept in mind:

- The allocation for the Southern University Land Grant match is subject to approval by the Joint Legislative Committee on the Budget.
- The allocations of operation funds to the management boards are not made for management board use, but instead, is for them to allocate to the institutions based upon high priority needs the management boards identity.
- The allocation to the Board of Regents is for distribution to the Library Network, which benefits all institutions and, possible, the allocation may be used for additional funding for LUMCON.

### **Board of Regents Preliminary Formula Distribution**

<b>INSTITUTION</b>	<b>FY 2000-01 EQUIPMENT FUNDS</b>	<b>FY 2000-01 OPERATIONAL FUNDS</b>	<b>FY 2000-01 TOTAL FUNDS</b>
Grambling State University	340,508	116,866	<b>457,374</b>
Louisiana Tech University	671,500	430,515	<b>1,102,015</b>
McNeese State University	448,762	284,341	<b>733,103</b>
Nicholls State University	355,503	289,257	<b>644,760</b>
University of Louisiana - Monroe*	627,813	757,864	<b>1,385,677</b>
Northwestern State University	527,746	422,865	<b>950,611</b>
Southeastern Louisiana University	892,415	675,516	<b>1,567,931</b>
University of Louisiana - Lafayette	1,309,989	820,575	<b>2,130,564</b>
University of Louisiana System Office	8,845	294,573	<b>303,418</b>
<i>Total University of Louisiana System</i>	<i>5,183,082</i>	<i>4,092,372</i>	<i>9,275,454</i>
Louisiana State University - Alexandria	97,945	35,443	<b>133,388</b>
Louisiana State University - A&M	3,040,766	2,006,032	<b>5,046,798</b>
Louisiana State University - Vet School	183,031	95,585	<b>278,616</b>
Louisiana State University - Eunice	113,119	97,418	<b>210,537</b>
Louisiana State University - Shreveport	205,261	74,631	<b>279,892</b>
University of New Orleans	857,858	744,301	<b>1,602,159</b>
Louisiana State University - Ag Center	739,813	369,367	<b>1,109,180</b>
Louisiana State University Health Science Center	1,717,269	745,103	<b>2,462,372</b>
Paul M. Hebert Law Center**	182,374	416,813	<b>599,187</b>
Pennington Biomedical Research Center	119,999	67,918	<b>187,917</b>
Louisiana State University System Office	0	481,347	<b>481,347</b>
<i>Total Louisiana State University System</i>	<i>7,257,434</i>	<i>5,133,958</i>	<i>12,391,392</i>
Southern University - Baton Rouge***	609,490	1,047,455	<b>1,656,945</b>
Southern University - New Orleans	171,220	176,452	<b>347,672</b>
Southern University - Shreveport	77,685	27,098	<b>104,783</b>
Southern University System Office	0	74,882	<b>74,882</b>
<i>Total Southern University System</i>	<i>858,395</i>	<i>1,325,887</i>	<i>2,184,282</i>
Baton Rouge Community College	71,263	35,850	<b>107,113</b>
Bossier Parish Community College	111,105	58,023	<b>169,128</b>
Delgado Community College	587,517	421,646	<b>1,009,163</b>
Elaine P. Nunez Community College	55,926	29,206	<b>85,132</b>
River Parishes Community College	15,854	8,280	<b>24,134</b>
South Louisiana Community College	0	0	<b>0</b>
Louisiana Technical College	809,194	422,589	<b>1,231,783</b>
LCTC System Office	0	149,198	<b>149,198</b>
<i>Total LCTCS</i>	<i>1,650,858</i>	<i>1,124,792</i>	<i>2,775,650</i>
LUMCON	45,341	22,991	<b>68,332</b>
Board of Regents	4,890	200,000	<b>204,890</b>
Statewide Total	15,000,000	11,900,000	<b>26,900,000</b>

\* operational allocation includes \$500,000 for the second year of Pharm-D program upgrade.

\*\* operational allocation includes \$300,000 for the second year of the enhancement plan.

\*\*\* operational allocation includes \$809,127 for Land Grant match subject to JLCB approval.

## **Technical Colleges**

Throughout the 2000 Sessions, concerns over the distribution of funds for Technical Colleges were of primary interest for many legislators. Since the close of the 2<sup>nd</sup> Extraordinary Session, many Senators have inquired about the direct impact on or any change in funding for Technical Colleges in their districts. The following chart indicates such impact by showing the funding level which each campus received in FY 2000 (Column 3) and what each campus will receive for FY 2001 based on *preliminary funding estimates* (Column 5).

Column 4 is the allocation that each campus would receive *if* full implementation of the formula were instituted in FY01. Instead, the Board will implement the formula over a four-year period of time; and therefore, only one-fourth will be implemented for FY01. As can be seen by the chart, no school will receive a reduction in excess of approximately \$100,000. Again, Column 5 is the funding level each campus will receive based on preliminary estimates. All funding proposals must receive final approval from the Board of Supervisors of Community and Technical Colleges.

It should be noted that the estimates are preliminary. In fact, the numbers are likely to change for the better due to an additional pool of money received from the Board of Regents enhanced funding pool and additional revenue to be received when the technical college campuses may increase tuition for the winter sessions.

Technical Colleges Preliminary Formula Distribution					
Column 1	Column 2	Column 3	Column 4	Column 5	Column 6
Institution	Estimated * Annualized FTE Based Upon Fall '99 Only	FY 00 Estimated ** Expenditures State General Fund	FY 01 Pro-rata Application of Preliminary Approp. Alloc. Model to HB1 (Full Implementation)	Implementation of One-fourth of Preliminary Approp. Alloc. Model	Difference in Estimated FY 00 to FY 01 Preliminary Budget
Acadian	310	\$ 1,515,060	\$ 1,268,289	\$ 1,453,576	\$ (61,484)
Alexandria	562	\$ 2,032,756	\$ 2,063,500	\$ 2,040,782	\$ 8,026
Ascension	246	\$ 900,941	\$ 865,839	\$ 892,308	\$ (8,633)
Avoyelles	594	\$ 1,651,842	\$ 2,142,673	\$ 1,774,903	\$ 123,061
Bastrop	296	\$ 1,389,747	\$ 1,145,084	\$ 1,328,770	\$ (60,977)
Baton Rouge	957	\$ 3,338,169	\$ 3,001,773	\$ 3,254,564	\$ (83,605)
Chas. B. Coreil	231	\$ 934,259	\$ 857,547	\$ 915,222	\$ (19,037)
Delta-Ouachita	595	\$ 2,435,142	\$ 2,170,194	\$ 2,369,262	\$ (65,880)
Evangeline	300	\$ 1,216,395	\$ 1,043,418	\$ 1,173,322	\$ (43,073)
Fla. Parishes	124	\$ 751,667	\$ 577,048	\$ 708,107	\$ (43,560)
Folkes	272	\$ 1,098,293	\$ 1,039,104	\$ 1,083,667	\$ (14,626)
Gulf Area	496	\$ 1,535,883	\$ 1,625,903	\$ 1,558,656	\$ 22,773
H.P. Long	225	\$ 1,175,670	\$ 962,313	\$ 1,122,489	\$ (53,181)
Hammond	294	\$ 1,093,443	\$ 1,136,902	\$ 1,104,495	\$ 11,052
Jefferson	526	\$ 1,970,170	\$ 1,831,482	\$ 1,935,799	\$ (34,371)
Jumonville	526	\$ 2,066,876	\$ 2,033,108	\$ 2,058,769	\$ (8,107)
L.E. Fletcher	647	\$ 1,975,412	\$ 2,078,702	\$ 2,001,577	\$ 26,165
Lafayette	1161	\$ 3,595,399	\$ 3,590,870	\$ 3,594,858	\$ (541)
Lafourche	262	\$ 996,327	\$ 993,893	\$ 995,882	\$ (445)
Lamar Salter	404	\$ 1,136,109	\$ 1,398,295	\$ 1,201,886	\$ 65,777
Mansfield	151	\$ 938,390	\$ 592,475	\$ 852,009	\$ (86,381)
Morgan Smith	265	\$ 780,274	\$ 931,804	\$ 818,310	\$ 38,036
Natchitoches	371	\$ 1,409,412	\$ 1,266,190	\$ 1,373,815	\$ (35,597)
North Central	147	\$ 728,246	\$ 582,581	\$ 691,926	\$ (36,320)
Northeast	155	\$ 1,192,468	\$ 783,669	\$ 1,090,397	\$ (102,071)
Northwest	807	\$ 2,443,061	\$ 2,519,017	\$ 2,462,465	\$ 19,404
Oakdale	335	\$ 1,091,717	\$ 1,023,443	\$ 1,074,817	\$ (16,900)
Riv. Parishes	374	\$ 1,140,905	\$ 1,194,351	\$ 1,154,463	\$ 13,558
Ruston	246	\$ 913,558	\$ 909,113	\$ 912,596	\$ (962)
Sabine Valley	219	\$ 845,813	\$ 745,232	\$ 820,790	\$ (25,023)
Shelby Jackson	235	\$ 757,374	\$ 817,601	\$ 772,565	\$ 15,191
Shreveport	834	\$ 3,047,576	\$ 2,972,458	\$ 3,029,286	\$ (18,290)
Sid. Collier	802	\$ 1,619,742	\$ 2,310,080	\$ 1,792,707	\$ 172,965
Slidell	400	\$ 1,441,503	\$ 1,410,683	\$ 1,434,030	\$ (7,473)
SOWELA	1600	\$ 4,743,298	\$ 5,432,884	\$ 4,916,589	\$ 173,291
Sullivan	747	\$ 2,390,274	\$ 2,460,318	\$ 2,408,190	\$ 17,916
T.H. Harris	785	\$ 2,657,950	\$ 2,730,684	\$ 2,676,583	\$ 18,633
Tallulah	469	\$ 1,582,837	\$ 1,694,080	\$ 1,610,927	\$ 28,090
Teche	562	\$ 1,459,854	\$ 1,803,919	\$ 1,546,167	\$ 86,313
West. Jeff.	392	\$ 1,685,512	\$ 1,423,891	\$ 1,620,341	\$ (65,171)
Westside	691	\$ 1,842,355	\$ 2,223,480	\$ 1,938,002	\$ 95,647
Young Mem.	787	\$ 2,374,158	\$ 2,257,289	\$ 2,345,312	\$ (28,846)
TOTAL ***	20,404	\$ 69,895,837	\$ 69,911,181	\$ 69,911,181	\$ 15,344

\* Estimated Annualized FTE data will be replaced with three quarters (Fall and Winter '99 and Spring '00) of actual enrollment data once additional FTE data is received from the LTC campuses.

\*\* Actual expenditures for FY 00 will replace the prior year expenditure estimates.

\*\*\* Differences in TOTAL amounts are due to rounding.

## **Tuition Increases**

Act 4 (House Bill 10) of the 2000 2<sup>nd</sup> Extraordinary Session authorized each higher education management board to increase tuition at any college and/or university to a maximum of \$250 at a college and/or university and a maximum of \$100 at technical colleges. Moreover, legislation was passed during the 1<sup>st</sup> Extraordinary Session of 2000 to allow LSU-Baton Rouge to implement a \$250 “Excellence Fee” to begin in the Fall of 2000.

To date, the following systems have authorized tuition increases at their respective institutions — it should be noted that authorization by a system to increase tuition does not necessarily indicate that each university and/or college under the system will raise tuition. Each university and/or college makes that decision independently once they have received authorization.

- The LSU System has authorized a \$250 per academic year increase for the Fall of 2000. LSU-Baton Rouge will implement their \$250 Excellence Fee at this time.
- The Southern System did not authorize tuition increases for the Fall 2000/Spring 2001 semesters.
- The University of Louisiana System has authorized a \$250 tuition increase per academic year at each institution beginning in the Fall of 2000.
- The Community and Technical College System authorized tuition increases of \$250 per academic year beginning in

the Fall of 2000 for the state's Community Colleges. Baton Rouge Community College, (BRCC), will not have any tuition increase for the upcoming academic year.

- Technical colleges were not authorized to increase tuition for the Fall 2000 term, but may increase tuition (maximum \$100) for the winter term.

## **K-12 Education**

Education was a topic of continual discussion for the regular and both special sessions. Legislative oversight, increased accountability, and teacher raises have prompted charged discussion throughout the year. While most would agree that education is far below where it should be in this state, few can agree as to the cause. Reasons range from inadequate funding to inefficient use of funds; from lack of accountability to wasted resources proving accountability. Without understanding the problem, it became impossible to develop a solution.

Governor Foster issued Executive Order MJF 99-41 creating the School Finance Commission to look into the concerns surrounding K-12 education and to develop specific remedies to address the problems. Months of meetings ensued involving Department of Education staff, BESE board members, local school board members, school superintendents, teacher union representatives, legislators, legislative staff, Division of Administration staff, Governor's



office staff, and nationally renowned consultants. The end result was a new funding model.

The new model provided for a teacher pay raise with the intent of reaching the southern average. In providing funds for the pay increase, the new model also reduced the hold harmless problem to a point where it was no longer believed to be an issue. The structure of the new model was changed to provide the legislature more control and a better understanding of how existing and new funds were spent. While it was still a block grant to local districts, legislators would know where funds went between salaries/benefits, accountability, incentives, and other costs. Ratios were set up to determine the distribution of funds across these categories, as well as the appropriate state and local share. The problem with this formula was that it cost an additional \$300 million. Without the new funds, the new model was temporarily set aside while the old formula was modified to meet current year expectations (to be described in the MFP section below).

## Special Schools and Commissions

### Fiscal Year 2000-2001 Appropriation Level

<b>State General Fund (Direct)</b>	<b>\$115,140,976</b>
<b>Total Means of Financing</b>	<b>\$197,005,635</b>

	Actual FY97	Actual FY98	Actual FY99	Budgeted FY00	Appropriated FY01
<i>(in millions)</i>					
State General Fund (Direct)	43.42	47.88	91.01	116.68	121.14
Total Means of Finance	100.83	107.05	155.47	195.19	203.00
SGF as a percent of State	0.92%	0.94%	1.70%	2.09%	2.15%
Total MOF as a percent of State	0.85%	0.87%	1.21%	1.39%	1.45%
Positions	783	881	910	923	951

In general, there were very few changes to the four special schools: the Louisiana School for the Visually Impaired, the Louisiana School for the Deaf, the Louisiana Special Education Center, and the Louisiana School for Math, Science, and the Arts. They were all affected by Executive Order cuts while at the same time receiving modest budget adjustments for increased costs including transportation, salaries, and the state's new human resource system. The Louisiana School for the Deaf did receive an additional 20 positions. Perhaps the most notable change for these schools

was the addition of a new revenue source to their budgets. Each school received \$63,750 out of the Education Excellence Fund; a statutory dedication set up last year from the tobacco settlement.

The Office of Student Financial Assistance received an \$8.8 million increase over the current fiscal year operating budget including 13 new positions. Approximately \$3.7 million were in Federal Funds resulting from a refund of a reinsurance increase in the Loan Operations Program. There was also a \$1.3 million reduction in state general funds for TOPS compared to FY 00 where the estimates and appropriations for awards were much higher than what was ever realized.

TOPS received \$79.6 million in state general funds for roughly 35,000 TOPS awards for FY 01. Additionally, \$6 million in contingency funding was provided for TOPS eligible students to cover the cost of potential tuition increases. The following chart indicates the number of awards and state actual costs since FY99 (state costs are rounded).

### **TOPS Awards**

	# of Awards	State Cost
FY99	23,446	\$54,000,000
FY00	28,108	\$67,000,000
FY01	35,000	\$80,000,000

## Department of Education

### Fiscal Year 2000-2001 Appropriation Level

<b>State General Fund (Direct)</b>	<b>\$2,313,576,755</b>
<b>Total Means of Financing</b>	<b>\$3,149,154,355</b>

	Actual FY97	Actual FY98	Actual FY99	Budgeted FY00	Appropriated FY01
<i>(in billions)</i>					
State General Fund (Direct)	1.979	2.112	2.215	2.312	2.313
Total Means of Finance	2.655	2.847	2.950	3.145	3.149
SGF as a percent of State	42.04%	41.58%	41.32%	41.48%	41.06%
Total MOF as a percent of State	22.37%	23.27%	22.96%	22.45%	22.47%
Positions	957	970	960	1,031	1,061

State Activities, in the Department of Education, received an additional \$5.2 million in state general funds and 4 positions in the Appropriation Bill. However, \$4.3 million of that is simply a transfer of remediation funds from the Subgrantee Assistance program for testing and distinguished educators. An additional \$650,000 are new funds for imaging costs associated with moving to a new building. The end result is nominal growth in funding for the program, below that needed to meet expected growth in expenses.

Subgrantee Assistance had several programmatic changes resulting in an additional \$7.2 million in overall appropriations. Federal funds were reduced by over \$4.8 million primarily to reflect expected expenditures. There was also a \$2.1 million reduction in interagency transfers resulting from the elimination of the JTPA transfer from the Department of Labor. A notable increase to this program was a \$10.8 million increase in statutory dedications from the Education Excellence Fund; these funds will pass through to local school districts. The additional state general funds are for Type 2 Charter Schools and the K-3 Reading programs.

There were two programs in the Department of Education that received few adjustments. The Special School Districts received an additional \$3.3 million in general funds for the Justice Department Settlement Agreement. The only change for the Non-Public Assistance program was the addition of \$45,000 from the Education Excellence Fund.

The largest program in the Department of Education is the Minimum Foundation Program (MFP) with a total appropriation of \$2,243,837,611; all from general funds except \$95.5 million in lottery proceeds (lottery proceeds were reduced \$3.7 million from last year). The process for funding the MFP is quite simple. The Board of Elementary and Secondary Education (BESE), working with the Department of Education and the Legislature, develops a new formula each year. The formula is submitted to the Legislature, in the form of a resolution, where it is either

accepted or rejected. If the resolution is rejected or not introduced, BESE can submit another resolution. If no new resolution is adopted, the prior year's resolution remains in effect.

BESE originally submitted a resolution reflecting the recommendations of the School Finance Commission as noted above. Since there were insufficient revenues to fund the additional \$300 million needed for this formula, the resolution was never introduced by the legislature. Instead, BESE was asked to revise the current year MFP, making adjustments to help the state in its current budget crisis. It is important to note that BESE was not required to make these adjustments. In fact, if BESE had done nothing, the built in growth to last year's MFP would have cost the state an additional \$25 million.

However, what BESE did do was to make a series of adjustments, some of which were not made by any other state agency, resulting in a reduction in general fund appropriations of more than \$10 million. First, adjustments were made for normal growth in the formula (this is similar to the idea of a continuation budget for other agencies), increased funds for the lab schools, funds going to Subgrantee Assistance for Charter Schools, and a drop in statewide student enrollment. Then adjustments were made for an increase in insurance costs and a reduction in retirement costs. The first set of adjustments alone would have increased MFP costs by approximately \$11 million. The

board, however, agreed to make adjustments for changing insurance and retirement costs; an adjustment not made anywhere else in the state's budget. This adjustment, by itself, reduced the MFP costs by approximately \$23 million. The net result is a reduction to total MFP appropriations.

There are several issues concerning the second set of adjustments. First of all, the MFP does not calculate costs for local school districts. It determines how much money goes to a district based on student count. Making an adjustment to a revenue generating formula based on an expected change in expenditures is questionable. Secondly, while the state was happy to reduce MFP appropriations based on reduced cost expectations, it is unclear as to whether additional funds would be provided should these costs increase. It is believed that most of these issues could be addressed with the development of a new formula tied to the recommendations of the School Finance Commission.

The following chart is provided to show an historical perspective on the numbers of administrators and teachers, teacher salaries relative to the nation and the SREB, and student membership in local school districts.

	Actual FY97	Actual FY98	Actual FY99	Estimated FY00	Estimated FY01
<i>Staffing Trends:</i>					
Administrative	4,131	4,263	4,326	4,372	
Teachers	<u>48,031</u>	<u>48,249</u>	<u>48,773</u>	<u>49,469</u>	
Total Regular Employees	98,310	99,252	100,238	101,079	
<i>Teacher Salaries:</i>					
United States	\$38,554	\$39,454	\$40,582	\$41,575	
SREB States	\$33,388	\$34,425	\$35,795	\$36,845	
Louisiana	\$29,025	\$30,090	\$32,510	\$33,186	
LA v. SREB	86.9%	87.4%	90.8%	90.1%	
LA v. US	75.3%	76.3%	80.1%	79.8%	
<i>Student Membership:</i>					
October 1 Membership	777,570	765,383	753,722	740,006	730,524
Total Weighted Membership	1,110,031	1,018,555	1,005,082	993,123	980,159



## **Other Requirements**

### **Fiscal Year 2000-2001 Appropriation Level**

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<b>State General Fund (Direct)</b>	<b>\$123,387,913</b>
<b>Total Means of Financing</b>	<b>\$325,890,139</b>

- **Supplemental Pay**

Fully Funds Supplemental Pay for Local Law Enforcement Officers at approximately \$65.6 million. Municipal police receive \$300 per month. Firefighters receive \$300 per month and Constables & Justices of the Peace each receive \$75 per month.

### **FY 01 Supplemental Pay**

	<b>TOTAL FY 2001</b>
Municipal Police	\$22,407,200
Firefighters	\$17,012,500
Deputies	\$25,500,000
Constables & Justices of the Peace	\$720,000
<b>TOTAL</b>	<b>\$65,639,700</b>

- **Parish Transportation**

The Parish Transportation Program was funded at \$38,7 million from the Transportation Trust Fund. The Parish Road Program received roughly \$31.2 million, Mass transit approximately \$4.5 million and Off-system Roads and Bridges Match Program received \$3 million.

- **Tobacco tax – General Assistance to Parishes and Municipalities**

For the first time in several years, due to fiscal constraints, the state eliminated the funding for Tobacco Tax Assistance for Local Governments. The funding was originally set at \$12 million and was eliminated completely.

- **New Orleans Center for the Creative Arts**

Funding for the New Orleans Center for the Creative Arts (NOCCA) received \$4,150,704. Legislation during the 1st Extraordinary Session (Act 60) made the Center a State agency beginning July 1, 2000. NOCCA has received approximately \$18 million in State Capital Outlay funds over the last few years and has received \$5 million in private funding.

## **Appendix: Veto Messages**



M. J. "MIKE" FOSTER, JR.  
GOVERNOR

# State of Louisiana

OFFICE OF THE GOVERNOR

Baton Rouge

70804-9004

POST OFFICE BOX 94004  
(225) 342-7015

July 14, 2000

VETO

MESSAGES

Mr. Alfred W. Speer  
Clerk of the House of Representatives  
State Capitol  
Baton Rouge, Louisiana 70804

Mr. Michael S. Baer, III  
Secretary of the Senate  
State Capitol  
Baton Rouge, Louisiana 70804

RE: **House Bill No. 1 of the 2000 2nd Special Session of the Legislature**

An Act making appropriations for the ordinary expenses of the executive branch of state government, pensions, public schools, public roads, public charities, and state institutions and providing with respect to the expenditure of said appropriations.

Gentlemen:

As authorized by Article III, Section 18(B), and more particularly, Article IV, Section 5(G)(1) of the Constitution of Louisiana, I have exercised my right to veto 6 items or provisions of the General Appropriation Bill.

**VETO MESSAGE NO. 1:**

Page 21, Lines 46 through 47

This language amendment provides that no monies appropriated in the Executive Office budget shall be used for the "expenses of a representative in Washington, D.C." This item appears to attempt to make substantive law in the appropriations bill. Furthermore, the language would not only disallow any expenses to be paid for a representative of the state that is domiciled in Washington D.C., but would also not allow the payment for expenses incurred by the Governor or any of the staff of the Executive Office who must travel to Washington D.C. to conduct state business. For these reasons, I find it necessary to veto this item.

EB 1:15 7/14/00

**VETO MESSAGE NO. 2:**

Page 102, Lines 10 through 12

This item in the preamble to the Department of Health and Hospitals appropriation utilizes language to exempt small rural hospitals from reductions initiated by the Secretary for expenditure control in the Medicaid program. Other language in the preamble directs the Secretary to utilize various cost containment measures to ensure that the Medicaid program does not expend more than it is appropriated during Fiscal Year 2000-2001. By excluding any funds allocated to small rural hospitals from expenditure reductions associated with cost containment measures, this language would seriously limit the Department's ability to maintain a balanced budget in the Medicaid program. Thus, I find no alternative but to veto this automatic exemption.

**VETO MESSAGE NO. 3:**

Page 102, Lines 48 through 51

This item in the preamble to the Department of Health and Hospitals appropriation stipulates that if it is determined that funds become available in Fiscal Year 2000-2001, then such funds shall be utilized first for the re-basing of the reimbursement rates paid to nursing homes. If sufficient funds are not available for a full re-basing, then partial re-basing is required. The additional funding provided by this item for increased payments to nursing homes is contingent upon the availability of any excess revenues generated by the Department of Health and Hospitals above its appropriation. Such a contingent appropriation appears to fly in the face of the Louisiana Constitution. However, the same result is possible, as Section 2 of the bill allows for the expenditure of additional revenues with the approval of the commissioner of administration and the Joint Legislative Committee on the Budget. Therefore, as a mechanism exists to utilize additional revenues as they become available and such revenues should be appropriated to address needs which exist at the time these revenues materialize, I am vetoing this item.

**VETO MESSAGE NO. 4:**

Page 117, Lines 35 through 37

The intent of this amendment, in the Medical Vendor Payments appropriation, was to restore the amounts paid to independent pharmacies to 89.5% of the Average Wholesale Price (AWP). However, the amendment, as written, is flawed and would direct the Department to pay only 10.5% of the AWP not the AWP less 10.5%. When considering the intent of this amendment, there is another serious issue beyond the flaw in the language that must be addressed. The Department was able to obtain passage of an emergency rule to pay the independent pharmacies 85% of AWP and the chain pharmacies 83.5% of AWP in Fiscal Year 2000 and part of Fiscal Year 2001. By directing the Department to pay the higher percentage to the independent pharmacies, this action will most certainly result in a lawsuit by the chain pharmacies that DHH is likely to lose. To avoid a suit, DHH will have to equalize the payments to chains and independents costing the state an additional \$20 to \$25 million. This would create a shortfall in the

Mr. Speer and Mr. Baer

Page Three

July 14, 2000

pharmacy program, which would result in a decrease of services to Medicaid recipients. Thus, both the language and the intent of this amendment are problematic and a veto is necessary to avoid the implications of either.

**VETO MESSAGE NO. 5:**

Page 157, Lines 10 through 13

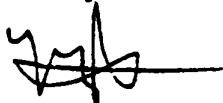
This item provides that out of the Legal Support Funds appropriated in the Office of Mineral Resources, \$206,000 shall be utilized for the testing of water and watershed systems in rural areas of the state through contracts issued by the Office of Rural Development with rural water associations. Whereas R.S. 30:136.2(C) provides that the monies in the Legal Support Fund shall be appropriated solely for the purpose of auditing and collections of the Office of Mineral Resources, for paying legal and auditing costs, and defraying the costs of expert witnesses, consultants, and contract legal counsel. As this item is in direct conflict with general substantive law, I find it necessary to veto it.

**VETO MESSAGE NO. 6:**

Page 229, Lines 55 through 58

This item authorizes the Superintendent of Education to transfer up to 2.5% of total State General Fund (Direct) appropriation between the State Activities and Subgrantee Assistance budget units within the Department of Education. No other departmental appropriation includes language providing unilateral authority to transfer funds within a department. Since Section 4 of the bill provides an appropriate level of oversight by allowing the commissioner of administration and the Joint Legislative Committee on the Budget to approve transfers within a department, adequate budget flexibility already exists and as I do not agree with this approach for any department, I am vetoing this item.

Sincerely,

A handwritten signature in black ink, appearing to be "Mike Foster, Jr.", with a stylized flourish at the end.

M. J. "Mike" Foster, Jr.

jw

Objective: Through the Louisiana Commission on Human Rights, to ensure that 50% of all cases filed with the commission are resolved within 365 days  
 Performance Indicator:  
 Percentage of cases resolved within 365 days 50%

#### Louisiana Indigent Defense Assistance Board - Authorized Positions (5) \$ 7,517,315

Program Description: Created to oversee and improve the services provided to individuals charged with violating criminal laws of the state and unable to afford counsel. The board is responsible for the development, promulgation, and enforcement of the standards and guidelines for indigent defense in capital, felony, and appellate matters.

Objective: Through the Juvenile Defender activity, to reduce the number of youth in secure care facilities through motions to modify filed in district court.

Performance Indicator:  
 Youth Post-Dispositional Advocacy - Number of youths served 80

Objective: Through the Technical Assistance activity, to provide \$31.25 for each opened felony case to each district indigent defender board.

Performance Indicator:  
 Supplemental funding to 41 judicial district indigent defender boards per opened felony case \$31.25

Objective: Through the Appellate activity, to provide defense services in 100% of non-capital felony appeals taken in Louisiana.

Performance Indicator:  
 Percentage of provision of counsel in non-capital appeals 100%

Objective: Through the Capital activity, to provide defense services in 10% of capital post-conviction proceedings.

Performance Indicator:  
 Percentage provision of counsel to capital defendants in post-conviction proceedings in state court 10%

Objective: Through the Capital activity, to provide defense services in 40% of capital appeals.

Performance Indicator:  
 Percentage provision of counsel to capital defendants on appeal to Louisiana Supreme Court and U.S. Supreme Court 40%

TOTAL EXPENDITURES \$ 25,417,183

#### MEANS OF FINANCE:

State General Fund (Direct) \$ 15,265,929

#### State General Fund by:

Interagency Transfers \$ 1,308,651

#### Statutory Dedications:

Oil Spill Contingency Fund \$ 3,157,140

Disability Affairs Trust Fund \$ 75,000

Rural Development \$ 400,000

Louisiana Environmental Education \$ 9,000

Federal Funds \$ 5,201,463

TOTAL MEANS OF FINANCING \$ 25,417,183

Provided, however, that no monies appropriated herein shall be used for the expenses of a representative in Washington, DC.

Payable out of the State General Fund by

Statutory Dedications out of the Oil Spill

Contingency Fund for clean-up activities \$ 2,000,000

## SCHEDULE 09

## DEPARTMENT OF HEALTH AND HOSPITALS

For Fiscal Year 2000-2001, cash generated by each budget unit within Schedule 09 may be pooled with any other budget unit within Schedule 09 to avoid a cash deficit. No budget unit may expend more revenues than are appropriated to it in this Act except upon the approval of the Division of Administration and the Joint Legislative Committee on the Budget, or as may otherwise be provided for by law.

The secretary shall implement reductions in the Medicaid program as necessary to control expenditures at the level approved in this Schedule. Notwithstanding any law to the contrary or any provision contained within this Schedule, any funds allocated for expenditures to small rural hospitals shall be exempt from reductions, including the various cost-containment measures that the secretary is hereby directed to utilize to accomplish these reductions. The

secretary is hereby directed to utilize various cost-containment measures to accomplish these reductions, including but not limited to precertification, preadmission screening, diversion, fraud control and utilization review, and other measures as allowed by federal law. Notwithstanding any law to the contrary and specifically R.S. 39:82(E), for Fiscal Year 2000-2001 any over-collected funds, including interagency transfers, federal funds, and surplus statutory dedicated funds generated and collected by any agency in Schedule 09 or under the Louisiana State University Health Sciences Center Health Care Services Division during Fiscal Year 1999-2000 may be carried forward and expended in Fiscal Year 2000-2001 in the Medical Vendor Program. Revenues from refunds and recoveries in the Medical Vendor Program are authorized to be expended in Fiscal Year 2000-2001. No such carried forward funds, which are in excess of those appropriated in this Act, may be expended without the express approval of the Division of Administration and the Joint Legislative Committee on the Budget.

Notwithstanding any law to the contrary, the secretary of the Department of Health and Hospitals may transfer up to twenty-five (25) authorized positions within Schedule 09 from one budget unit to any other budget unit within the department except that not more than an aggregate of 100 positions may be transferred between budget units without the approval of the Commissioner of Administration and the Joint Legislative Committee on the Budget. The secretary shall provide written notice to the Joint Legislative Committee on the Budget of any positions transferred between budget units for which approval by the committee is not necessary.

In the event this Act provides for increases or decreases in funds for agencies within Schedule 09 which would impact services provided by 09-300 (Jefferson Parish Human Services Authority) and 09-302 (Capital Area Human Services District), the commissioner of administration is authorized to transfer funds on a pro rata basis within the budget units contained in Schedule 09 in order to effect such changes. The commissioner shall provide written documentation of all such transfers approved after the initial notifications of the appropriation to the Joint Legislative Committee on the Budget.

Provided, however, that the department shall submit a plan detailing the programmatic allocations of appropriations for the Medical Vendor Program in this Act to the Joint Legislative Committee on the Budget for its review no later than September 1, 2000, and monthly thereafter. The report shall present a detailed account of actual Medical Vendor Program expenditures for Fiscal Year 1999-2000 from schedule 09-306; this report shall include the department's most recent projection of comparable Medical Vendor Program expenditures for Fiscal Year 2000-2001.

Provided, however, if it is determined that funds become available in Fiscal Year 2000-2001, including funds available through the Intergovernmental Transfer Fund, then said funds shall be utilized first for the re-basing, or partial re-basing if sufficient funds are not available for a full re-basing, of the nursing home program.



MEANS OF FINANCE:

State General Fund (Direct) \$ 600,000  
Federal Funds \$ 1,432,520  
TOTAL MEANS OF FINANCING \$ 2,032,520

EXPENDITURES:

For development and implementation by the Department of Health and Hospitals of a flexible, low-cost Medicaid Home and Community-Based Waiver to serve children under age 19 with disabilities who meet eligibility requirements similar to those specified by federal law under the Tax Equity and Fiscal Responsibility Act (TEFRA) of 1982, provided, however, that DHH shall begin operation of this waiver by January 15, 2001, subject to approval of the federal Health Care Financing Administration. It is the intent of the Legislature that this waiver, in combination with expanded LaCHIP eligibility, serve as an alternative to implementation of the TEFRA Medicaid eligibility option. \$ 7,607,833  
TOTAL EXPENDITURES \$ 7,607,833

MEANS OF FINANCE:

State General Fund (Direct) \$ 2,282,350  
Federal Funds \$ 5,325,483  
TOTAL MEANS OF FINANCING \$ 7,607,833

EXPENDITURES:

For expansion of the Louisiana Children's Health Insurance Program (LaCHIP) to include children in families with incomes up to 200% of the federal poverty level \$ 8,527,038  
TOTAL EXPENDITURES \$ 8,527,038

MEANS OF FINANCE:

State General Fund (Direct) \$ 1,762,538  
Federal Funds \$ 6,764,500  
TOTAL MEANS OF FINANCING \$ 8,527,038

Provided, however, that of the funds appropriated herein for the Medicaid pharmacy program \$5,854,634 shall be used to restore the Estimated Acquisition Cost for drugs for independent pharmacies at 10.5% on the Average Wholesale Price (AWP).

09-30 OFFICE OF THE SECRETARY

EXPENDITURES:

Management and Finance Program - Authorized Positions (339) \$ 25,075,459

*Program Description: Provides management, supervision and support services for the department. Provides information, legal, inquiry, internal audit, fiscal management, budgets, contracts, training, and research and development services, protective services, appeals, human rights, training and staff development, engineering and consulting services, human resources and developmental disabilities council.*

*Objective: To provide the direction, management and support necessary to assure that at least 70% of the performance indicators for the Office of Management and Finance meet or exceed their targeted standards.*

*Performance Indicator:*  
Percentage of OMF indicators meeting or exceeding targeted standards 70%

## MEANS OF FINANCE:

## State General Fund by:

Fees & Self-generated Revenues from Prior and Current Year Collections	\$ 10,209,490
Statutory Dedications:	
Legal Support Fund	\$ 800,000
Mineral Audit and Collection Fund	\$ 600,000
Federal Funds	\$ 129,997
<b>TOTAL MEANS OF FINANCING</b>	<b>\$ 11,739,487</b>

Provided, however, that of the Legal Support Funds appropriated above, the amount of \$206,000 shall be expended for the testing of water and watershed systems in rural areas of the state through contracts issued by the Office of Rural Development with rural water associations.

## 11-435 OFFICE OF COASTAL RESTORATION AND MANAGEMENT

## EXPENDITURES:

## Coastal Restoration and Management - Authorized Positions (111) \$ 33,946,000

*Program Description: Each year, thousands of acres of productive coastal wetlands are lost to erosion and human activities. The mission of the Coastal Restoration and Management Program is to serve as the leader for the development, implementation, operation, maintenance and monitoring of coastal restoration plans and projects and is the designated state cost-share partner for said projects. The Coastal Restoration and Management Program coordinates point with various federal and state task forces, other federal and state agencies, the Governor's Office of Coastal Activities (GOCA), the public, the Louisiana Legislature, and the Louisiana Congressional Delegation on matters relating to the conservation, restoration, enhancement, management and permitting of Louisiana's coastal wetlands carried out through its two major divisions: Coastal Restoration Divisions and Coastal Management Division. The goal of this program is to continue to implement duly authorized and funded projects to preserve, enhance, restore and protect the coastal wetlands of Louisiana so they will remain productive and available for the continued economic and recreational use of the citizens of Louisiana. There are two activities in this program: Coastal Restoration Projects and Coastal Permitting.*

**Objective:** To ensure that the loss of wetlands resulting from activities regulated by the program will be offset by actions which compensate 100% for their loss.

**Performance Indicator:**

Percentage of disturbed wetland habitat units that are mitigated by full compensation of loss 100%

**Objective:** To develop projects that create, restore, enhance or conserve 12,034 acres of vegetated coastal wetlands while maintaining and operating 96% of all existing projects at a fully effective level.

**Performance Indicator:**

Acres directly benefited by projects constructed (actual for each fiscal year) 12,034  
Percentage of projects maintained and operated at a fully effective level 96%

**TOTAL EXPENDITURES** \$ 33,946,000

## MEANS OF FINANCE:

## State General Fund by:

Interagency Transfers	\$ 71,113
Fees & Self-generated Revenues	\$ 20,000
Statutory Dedications:	
Oil Spill Contingency Fund	\$ 52,170
Wetland Conservation and Restoration Fund	\$ 18,396,855
Coastal Resources Trust Fund	\$ 540,336
Federal Funds	\$ 14,865,526
<b>TOTAL MEANS OF FINANCING</b>	<b>\$ 33,946,000</b>

Objective: To provide technology training to 19 public and private colleges and universities that provide teacher preparation programs.

Performance Indicator:

Number of faculty members provided training 145  
Number of teacher prep students impacted 7,250

TOTAL EXPENDITURES \$ 3,203,988

MEANS OF FINANCE:

State General Fund (Direct) \$ 57,987

State General Fund by:

Interagency Transfers \$ 1,846,002

Fees & Self-generated Revenues from prior and current year collections \$ 137,715

Federal Funds \$ 1,162,284

TOTAL MEANS OF FINANCING \$ 3,203,988

DEPARTMENT OF EDUCATION

General Performance Information:

	FY 1997-98	FY 1998-99	FY 1999-00
<i>Elementary and secondary public school membership</i>	773,073	764,939	750,982
<i>Public school full-time classroom teachers</i>	48,292	48,772	49,510
<i>Number of public schools</i>	1,445	1,473	1,480
<i>Current instructional-related expenditures per pupil</i>	\$3,854	N/A	N/A
<i>Total current expenditures per pupil</i>	\$5,178	N/A	N/A
<i>Average actual classroom teacher salary</i>	\$31,131	\$32,404	\$33,279
<i>Average student attendance rate</i>	93.38%	95.53%	N/A
<i>Pupil-teacher ratio</i>	15.8 to 1	15.4 to 1	N/A
<i>Percentage of students reading below grade level:</i>			
2nd grade	43.48%	56.36%	37.02%
3rd grade	38.00%	34.48%	23.23%
<i>Percentage passing LEAP 21 Language Arts test:</i>			
Grade 3	90%	N/A	N/A
Grade 4	N/A	79%	N/A
Grade 5	85%	N/A	N/A
Grade 7	85%	N/A	N/A
Grade 8	N/A	79%	N/A
Grade 10	87%	85%	N/A
<i>Average percentile rank - Norm Reference test:</i>			
Grade 3	N/A	45	N/A
Grade 4	42	N/A	N/A
Grade 5	N/A	44	N/A
Grade 6	44	45	N/A
Grade 7	N/A	44	N/A
Grade 8	44	N/A	N/A
Grade 9	43	44	N/A
<i>Average ACT score</i>	19.5	19.6	N/A
<i>State average school performance score</i>	N/A	69.4	N/A
<i>Number of academically unacceptable schools</i>	N/A	57	N/A
<i>Number of below average schools</i>	N/A	499	N/A
<i>Number above average school</i>	N/A	524	N/A
<i>Number of recognized schools</i>	N/A	110	N/A

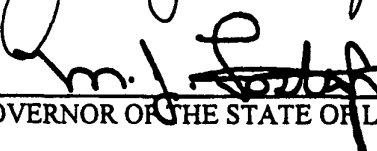
In order to effectively continue leadership, accountability, financial management activities and direct assistance to school systems, the State Superintendent of Education is authorized to transfer between the appropriations of State Activities (19-678) and Subgrantee Assistance (19-681) up to 2.5% of total State General Fund (Direct) appropriation for these schedules.

1 The state treasurer is hereby directed to do all things necessary to implement the provisions  
2 of this Section.

3 Section 19. The provisions of Sections 18 and 19 of this Act shall become effective  
4 on signature of the governor or upon the lapse of time for gubernatorial action. All other  
5 Sections of this Act shall become effective on July 1, 2000.

  
SPEAKER OF THE HOUSE OF REPRESENTATIVES

  
PRESIDENT OF THE SENATE

  
GOVERNOR OF THE STATE OF LOUISIANA

APPROVED: 7/14/2000  
